



Road to Net Zero Study

Management Report of findings from a multi-sector study of senior decision makers influencing decarbonisation strategies. The respondents are responsible for transport, fleet, operations, facilities and/or sustainability in large UK businesses.

DECEMBER 2023

CONTENTS

3	Executive Summary
8	Main Report
33	Sector Focus: Healthcare
40	Sector Focus: Construction
45	Final thoughts

Copyright ©2023 by Mobilityways

Road to Net Zero Report 2023 was compiled by Mobilityways Limited, registered in England, company number 03968472 with registered address 10-12, St Andrews Street, Norwich, NR2 4AF.

Whilst we have taken care to compile this report, it is solely provided to you on an 'as is' basis and without any guarantees as to its accuracy or completeness. We do not recommend that you rely on the contents of the report for any decision making purposes and we will not be liable for any use of the report (and/or the data contained within the report) by you.

Mobilityways commissioned specialist market research agency Opinium to design and fulfill this online study which gained responses from 300 large firms in the construction and civil engineering, financial services and healthcare sectors. 100 designated senior decision-makers from each of these three core sectors responded to a 37 question questionnaire which was fully completed online between 4th and 18th April 2023.

All respondents were senior level decision-makers in Transport/travel/fleet management, Operations, Facilities Management and Sustainability, with many holding responsibility for several of these areas simultaneously. 168 of the 300 respondents to the Opinium study had senior level responsibility for Sustainability; 106 for transport/travel/fleet management; 116 for Office/Facilities Management; and 112 for Operations.

Over two-thirds (70.33 per cent) of all organizations responding had more than 1,000 employees. The balance had 501-1,000 employees. Unless otherwise stated, all results reported in this study are from the Opinium three sector study.

This core study was supported by a parallel study conducted by Cognitive Publishing to reach the same mix of senior decision makers in over 50 Local Authorities and 50 Further Education establishments. Mobilityways received a total of 125 relevant decision-makers from these sectors between 5th April and 13th May 2023.

Quotations from named individuals have been taken from public statements and do not indicate an endorsement for any product or service.

Version 1

www.mobilityways.com



ROAD TO NET ZERO STUDY

Executive Summary



Road to Net Zero Study

Executive Summary

During the early part of 2023, Mobilityways decided to explore the progress of large organisations in addressing decarbonisation in their operations and supply chains. We wanted to run some highly robust business-to-business market research across five key sectors where Mobilityways already has a growing presence.

To do this, we decided to work with the highly respected research agency Opinium. Respondents needed to employ a minimum of 500 people. In fact, over two thirds of respondents to the market research Opinium carried out in the Spring employed over 1,000 people.

We sought to approach a representative sample of at least 50 companies in each of the target sectors: local authorities, further education, the NHS/healthcare, financial services and construction/civil engineering. In the latter three sectors, we were able to reach 100 relevant senior sustainability or transport decision firms within 100 different large organisations.

There are as many ways to reduce emissions as there are sources of Scope 1, 2 and 3 emissions, as defined initially by the Greenhouse Gas Protocol back in 2001. As the commuter emission solutions specialists, Mobilityways recognises that some drivers for change are more powerful than others, perhaps according to the sector you operate in or the preferred approach of senior management.

Why?

However, it is becoming increasingly undeniable that rapid decarbonisation, combined with the development of greener energy alternatives, gives us the best chance of limiting global warming to 1.5°C above pre-industrial levels.

According to the Intergovernmental Panel on Climate Change (IPCC), if we can contain global warming to 1.5 °C above pre-industrial levels and develop related global greenhouse gas (GHG) emission pathways, approximately 420 million fewer people will be frequently exposed to extreme heatwaves, and about 65 million fewer people will be exposed to exceptional heatwaves.

It is also becoming clear that decarbonisation is increasingly urgent. The odds of temporarily exceeding 1.5 °C have been rising since 2015. Between 2017 and 2021 there was a 10 per cent chance of exceeding this key threshold. However, fast forward to 2023 and there is now a 32 per cent chance that the average temperature over the next five years will exceed the 1.5°C threshold.

Some cultures prefer to encourage staff to find ways to reduce their employers' overall carbon footprint. Others are more inclined to prescribe changes and impose penalties on staff that don't do the right thing. Whatever the approach, it is becoming increasingly clear that continuing burning fossil fuels at the rate we have been is self-defeating.

What the study captures

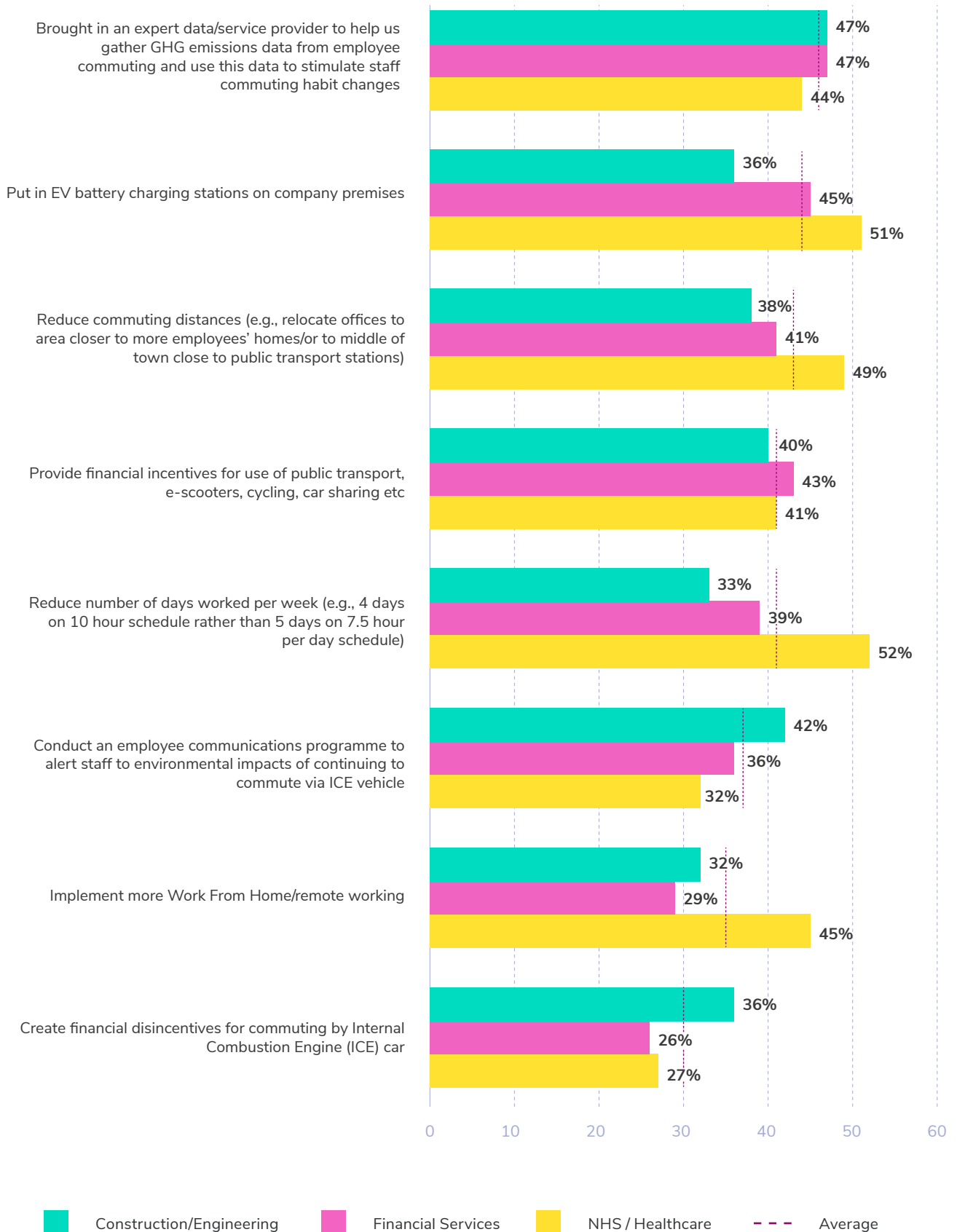
This study explores at what stage large UK-based firms have reached in terms of Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions reporting. We've also asked them which overarching ESG reporting frameworks they are using.

It asks key sustainability decision makers for their views on the differing reporting systems in use – exploring their concerns about the accuracy and comparability of current measurement systems. We also looked at the level of benchmarking already in place to help large firms compare their performance and emissions reduction record with peers within their sector.

We were also able to gather data about the level and extent of employee commute emissions reporting being done so far – exploring any plans to encourage staff to select greener alternatives including car sharing, cycling, and use of public transport where possible. So, let's get into some of the more eye catching findings.

Which of the following actions have you taken to reduce emissions associated with employee commuting?

N.B. Responses are from a pre-selected group - 73% of the whole sample - that are already actively reducing employee commutes. So, these are strategies which have been deployed already, in the main.



Just 1.5% on top of all Scope 1, 2 and 3 reporting

Just 1.5 per cent of the organisations with more than 1,000 staff that had begun environmental reporting using a recognised ESG reporting framework, felt they had ‘a strong handle on all our Scope 1, 2 and 3 reporting systems and processes’. Less, just one per cent of businesses with 501 to 1,000 employees, felt they were on top of all Scope 1, 2, and 3 emissions reporting systems and processes, the April 2023 study found.

Scope 3 reporting implementation is only about halfway complete

Just over half (55 per cent) of the largest UK enterprises who had begun Scope 3 reporting implementation had already ‘studied the impact of our products after use and used this data to redesign how we make our products’. Slightly less, 53 per cent, had ‘audited all their suppliers’ emissions data to verify accuracy using a single universal reporting framework’.

Just over 50 per cent had ‘worked out a way of measuring Greenhouse Gas (GHG) emissions from employee commutes to and from their place of work’. Under half (47 per cent) had completed analysis of ‘all our suppliers and asked them to provide us with relevant emissions data regularly’. Marginally less, 48 per cent, had fully implemented the Greenhouse Gas Protocol’s Corporate Value Chain (Scope 3) Accounting & Reporting Standard.

Average of 3.5 different ESG reporting frameworks in use

Mobilityways also explored which ESG reporting frameworks these large companies were using and found that on average they had used 3.5 different ESG reporting frameworks each. However, opinions on which framework was best varied according to the sector they were in. For example, the financial services firms judged the Sustainability Accounting Standards Board (SASB) ESG guidance framework ‘the most useful’ for them: a quarter (26 per cent) of financial services firms favoured SASB over others they’ve used. Other sectors favoured different reporting frameworks.

Lack of reporting standardisation proves big concern

The lack of standardisation for weighting and measuring emissions performance, especially with regards to Scope 3, was the most significant concern with the environmental performance reporting systems firms were using, as clear evidence emerged of a spaghetti soup of different ESG reporting frameworks, standards and sector certification systems being applied across many large organisations.

56 per cent of 1000+ employee firms cited this lack of standardisation for Scope 3 reporting as a top concern. While just over half (52 per cent) of these largest firms were having difficulties turning all the emissions data into actionable insights, admitting ‘we don’t really know the story behind the numbers’ yet.

Data accuracy still a concern, especially for supply chain data

Just under half (49 per cent) of large companies expressed concern about the accuracy of existing environmental performance scoring and ratings systems they were using. Meanwhile, 47 per cent recorded ‘gaps in provision of our (own) organisation’s and (their) suppliers’ environmental performance records’.

Scope 1 & 2 benchmarking possible for two thirds of large firms

Nearly two thirds (65 per cent) of 1,000+ employee firms were able to compare their Scope 1 and 2 reports with a sector average for key factors making up direct emissions. The construction and civil engineering sector respondents fared better still, with 72 per cent of this sector reporting they could run their numbers against construction sector averages by emission category to help assess their performance.

When drilling into large organisations that have already implemented Scope 1 and 2 reporting, it became clear that more than a third of these firms were not yet able to run peer group or sector benchmarking for key emissions categories. For example, 36 per cent of the largest firms already doing Scope 1 and 2 reporting admitted they could not benchmark their results associated with GHG Emissions Impact.

Scope 3 benchmarking proving harder than Scope 1 & 2

In terms of Scope 3 benchmarking, it was clear that the 1,000+ employee companies were finding it much more difficult to check their performance against sector averages across all key factors than smaller firms with 501 to 1,000 employees.

For example, only 61 per cent of those largest companies were capable of comparing their employee commute emission results with sector averages. Meanwhile, amongst firms employing between 501 and 1,000 staff that had implemented Scope 3 reporting already, 79 per cent were already capable of benchmarking their emissions reduction performance for employee commuting.

There is still some reticence around addressing Scope 3 indirect emissions. Yet those firms that have begun to address this work head on are finding there are massive emissions reductions to be realised. Some authoritative studies have found Scope 3 emissions, in some large global organisations, can account for as much as 85 per cent of their total emissions.

Key take aways

Mobilityways' Road to Net Zero Study's findings show that less than two thirds of the largest firms have begun implementing Scope 3 reporting, and those that have begun doing so are only about halfway through working out how to collect and evaluate all the data they need.

Settling on the right ESG reporting systems for both them and their value chains is also proving tricky, and many firms are using different reporting systems in parallel to suit the needs of different stakeholders they need to report to. They're midway through a complex journey to gather the right data and report it in a universally comprehensive manner. No wonder some corporations' annual ESG reports are already running to more than 100 pages!

We also found that sustainability chiefs calculated that, on average, they expected that 38 per cent of total emissions would be Scope 3 emissions. That looks like a significant underestimate based on a number of expert industry studies.

However, the key point remains that companies can reduce their Scope 3 emissions very rapidly by addressing Upstream Scope 3 categories such as employee commute emissions which are more in their control than many of their suppliers' emissions reports.

The key is to start measuring what you can fast, thereby working out the scale of the emissions reduction opportunity for you, and then kick off initiatives to chip away at reductions in the categories you can affect. We can even help firms benchmark their employee commute performance against similar sized businesses in a given region of the UK for example.

We are conscious that in this summary of results we have not been able to spare the space to summarise some of the sector-specific findings. However, be assured the core Management Report has extensive sector-specific findings, especially for the healthcare and construction sectors which have their own dedicated chapters.

Please do get in touch if you would like to hear more about how Mobilityways is helping large organisations to reduce the carbon emissions of their commuters, particularly now that more workers are returning to their offices more regularly, as pandemic-linked work-from-home regimes are adjusted in favour of hybrid working arrangements.



Basil Choudhry
Commercial Director
Mobilityways



ROAD TO NET ZERO STUDY

Main Report



Setting the scene

In the first quarter of 2023, Mobilityways embarked on a six month market research project to investigate the decarbonisation progress of large, UK headquartered organisations across five key target sectors including the construction, financial services, healthcare, local authority and further education sectors.

Mobilityways commissioned leading research agency Opinium to complete this nationwide study which gained complete online responses from 300 large UK-based construction, healthcare and financial services enterprises between 4th and 18th April 2023. Opinium gained 100 complete responses from the construction sector, 100 from the financial services sector, and a further 100 from the healthcare sector, including NHS trusts.

All respondents were senior level decision-makers in Transport/travel/fleet management, Operations, Facilities Management and Sustainability, with many holding responsibility for several of these areas simultaneously. 168 of the 300 respondents to the Opinium study had senior level responsibility for Sustainability; 106 for transport/travel/fleet management; 116 for Office/Facilities Management; and 112 for Operations.

Over two-thirds (70.33 per cent) of all organizations responding had more than 1,000 employees. The balance had 501-1,000 employees. Unless otherwise stated, all results reported in this study are from the Opinium three sector study.

This core study was supported by a parallel study carried out by Cognitive Publishing to reach the same mix of senior decision makers in over 50 Local Authorities and 50 Further Education establishments. Mobilityways received a total of 125 relevant decision-makers from these sectors between 5th April and 13th May 2023.



5 Key target sectors



Construction



Financial services



Healthcare



Local authority



Further education

70%

of all organizations responding had more than 1,000 employees.



Questionnaire design & methodology

Agility PR engaged with global market research agency Opinium from mid-January 2023 to explore the potential to reach relevant senior decision-makers working within large organisations across five target sectors: Construction/civil engineering, Financial Services and Healthcare/NHS.

Once Agility PR was able to establish that Opinium could reach at least 100 relevant senior decision-makers via its online, specialist standing panels in three of the five target sectors within the right budget range,

Agility PR turned to the publisher of Public Sector Executive (PSE.com), called Cognitive Publishing, to see if they would allow us access to a reliable database of senior sustainability decision-makers working within Local Authorities and Further education institutions. Cognitive offered its own market research service which assured us access to a minimum of 50 senior and relevant decision-makers in the two missing sectors.

2 parallel studies assure quotients reached in 5 target sectors

Opinium was able to move fast to code the 37 question questionnaire and get it into the field on 4th April and complete all field work having reached declared quotients of 100 senior decision makers in each of the construction, financial services and healthcare sectors by 18th April.

The Cognitive Publishing study proved much tougher because of their use of an off the shelf online survey platform. So, although it went into the field on 5th April, it took nearly six weeks to 13th May before they were able to reach target quotients of at least 50 senior decision-makers within each of Local Authorities and Further Education institutions. Because the qualification of respondents was of higher quality for the Opinium study, this report focuses on the results from that study.

Qualification overview

Ninety per cent of construction, financial services and healthcare firms claimed to be private sector organisations. The balance were either public sector (eight per cent) or not for profit organisations (two per cent).

More than half (53 per cent) had already started collecting employee commuter data – recording mileage and/or modes of transport used by workers to get to and from their place of work. A further third (34 per cent) planned to begin collecting employee commute data but had not yet started doing so. This means that 87 per cent of senior decision makers captured in this study had either started collecting employee commute data or appeared motivated to start collecting this data.



87%

of senior decision makers captured in this study had either started collecting employee commute data or appeared motivated to start collecting this data.

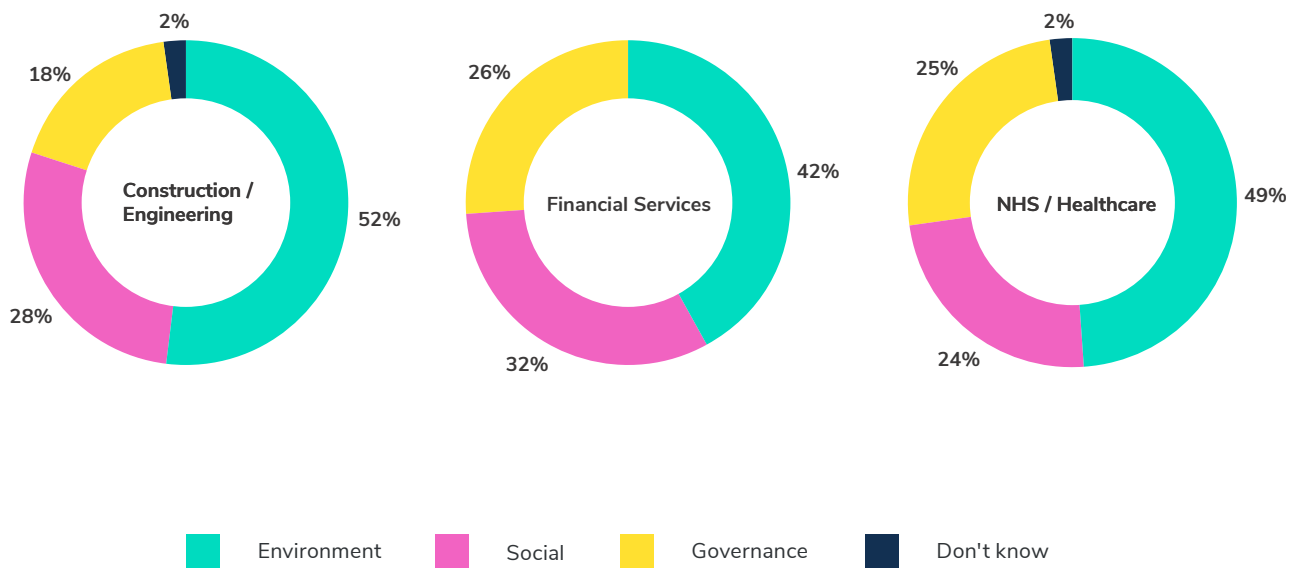
ESG reporting trends and progress

Most agree that it is easier and less contentious to collect Environmental emissions data than Social or Governance data, although it is clearly more difficult to persuade all your suppliers to do the same as is required by Scope 3 environmental reporting.

Many large, listed firms have been collecting emissions data for many years. For example, the market leading and listed construction group Morgan Sindall claims to have been collecting and reporting its emissions numbers voluntarily since 2007. It now declares its Scope 1, 2 and 3 emission reductions against a baseline set in 2019 and aims to reduce Scope 1, 2 and 'operational' Scope 3 by 30 per cent (from that 2019 baseline) by 2025.

The fact that more than half (51 per cent) of large 1000+ employee firms feel that they have made more progress with Environmental measuring, monitoring and progress reporting than Social or Governance reporting, speaks for itself.

Fig 1. Which of the three core ESG factors do you think your organisation has made most progress with in terms of finding reliable ways to measure, monitor and report on progress against stated goals?



51%

of large 1000+ employee firms feel that they have made more progress with Environmental measuring, monitoring and progress reporting than Social or Governance reporting.

However, emissions and waste reporting does not have it all its own way in terms of corporate prioritisation: over a quarter (26 per cent) of large, 1000-plus employee companies questioned think they have made more progress in terms of finding reliable ways to measure, monitor and report on Social factors, perhaps covering their progress against Diversity & Inclusion, Employee Satisfaction, Gender Pay Gap, Workplace Health & Safety targets, and in addressing Human Rights, and community cohesion issues.

This may indeed be correct or it may be about perception. For some firms, progress on Social factors generates more positive headlines. Many of the above factors are seen as 'quicker wins' by boards, many of which face tough market conditions for recruiting high quality talent which can be eased if they can show rapid Social 'improvements'.

One in five (21 per cent) boards of organisations with over 1,000 employees may still be focused, above all else, on corporate governance. After all the baseline requirement of a well-run business is to demonstrate strong governance. Factors such as a diverse make-up of the board of directors, evidence of strong business ethics, use of independent non-executive directors, an ability to innovate and manage supply chains, all provide strong evidence of being 'well run'.

A positive record of improvement in these areas is bound to reflect positively on the business as a whole. However, not tackling the impact of a large organisation's activities on the environment head on, and in a very public way, seems increasingly shortsighted given the risk of impact on the business if one is found to be behind one's sector peers in terms of reducing your impact on a world which is already showing clear signs of strain as temperatures rise and weather patterns become more erratic – threatening biodiversity and human habitation itself in some places.

Evidence growing of positive link from ESG performance to financial performance

A positive ESG record, consistently feeds through to better financial performance. More than 2,000 academic studies have looked at this link and approximately 70 per cent of them found a positive relationship between ESG scores on the one hand and financial returns on the other, whether measured by equity returns, or profitability, or valuation multiples. Increasingly, another element is the cost of capital. Evidence is emerging that a better ESG score translates to about a 10 per cent lower cost of capital as the risks that affect your business, in terms of its 'social license to operate', are reduced if you have a strong ESG story. With a lower cost of capital, you have higher value and more 'dry powder' to make acquisitions.

Studies have found clear evidence that brands with more sustainable impact grow faster than brands that have a less sustainable proposition. Large business to business companies are seeking to channel ESG through their value chain. If you want to be a supplier to one of the world's largest retailers, for example, you had better have a strong sustainability proposition on plastics, packaging, water use, and so on.

The second aspect is cost. If you are more resource-efficient, more water-efficient, use less plastic packaging, you will generally have a lower unit-cost structure. The third area are your regulatory relationships. If you are more responsible about your assets' environmental footprint, then the chances of an adverse, punitive regulatory outcome are lower. There is potentially regulatory value here.



21%

of boards of organisations with over 1,000 employees may still be focused, above all else, on corporate governance. After all the baseline requirement of a well-run business is to demonstrate strong governance.

The fourth is talent. These days, younger recruits demand ‘purposeful work’ and if you are an employer that can meet that need, you will attract and retain that talent, and likely higher productivity in the workplace. The evidence suggests that this is worth roughly two per cent of your share price each year if listed.

Then the fifth factor is investment optimisation. There are downside risks of holding assets that become stranded. Coal assets and oil tankers, for example, have seen significant write-downs in recent years. Conversely, there are enormous opportunities in ESG-related investments. For example, there is a huge demand for technology that could improve air quality. When you add up all five factors, they explain this roughly 10 per cent advantage in terms of cost of capital.

Fig 2. True ESG is consistent with a company's well-considered strategy and advances its business



Environmental

Addresses impact on the physical environment and the risk of a company and its suppliers/partners from climate events.

- Climate Change and greenhouse gas emissions (GHG)
- Air pollution (non-GHG)
- Water and wastewater management
- Waste and Hazardous-materials management; circularity
- Biodiversity and ecosystems; rehabilitation



Social

Addresses social impact and associated risk from societal actions, employees, customers, and the communities where it operates.

- Labour practices
- Health and safety
- Community engagement: diversity and inclusion
- Community relations, local economic distribution
- Product and service attributes



Governance

Assesses timing and quality of decision making, governance structure, and the distribution of rights and responsibilities across different stakeholder groups, in service of positive societal impact and risk mitigation

- Business ethics, data security
- Capital allocations, supply chain management
- Governance structure and engagement; incentives
- Policies; external disclosures; position and advocacy

Examples are not exhaustive. Source McKinsey & Company

Net Zero targeting

Large UK firms are addressing Net Zero in many different ways. We found that only 60 per cent of firms questioned had ‘set a target date for achieving carbon neutrality (i.e., have a commitment for reducing carbon dioxide emissions and balancing any remaining carbon emissions through removals)’.

Slightly less, 56 per cent of large firms had ‘incorporated all value-chain Greenhouse Gas (GHG) emissions into reduction and removal in alignment with the global goal to limit warming to 1.5 Degrees Centigrade above pre-industrial levels’. Just under half, 47 per cent, had set ‘climate neutral goals which seek to address all human impacts on the climate’.

Just over half, 54 per cent, had ‘determined some or all short and medium-term milestones to help achieve Net Zero by target date’. However, only 39 per cent of large companies reached for this study had publicly declared their target date to reach Net Zero.

Mobilityways thought it surprising that less than half of companies from the three sectors in focus had declared their Net Zero target date when the UK Government has led with its own plans to achieve Net Zero by 2050 and put in key green transport milestones so publicly. For example, the Government announced that new diesel and petrol cars and vans will no longer be sold in the UK from 2030, and that all new cars and vans must be fully 'zero emission at the tailpipe' from 2035.

It has also published a consultation on ending the sale of all non-zero emission HGVs from 2040, with lighter HGV sales ceasing in the UK from 2035. It is also consulting on setting dates for phasing out all non-zero emission road vehicles, with 2040 as a backstop, setting a path to a time when every vehicle on our roads will be zero emission.¹

Average of 3.5 different ESG reporting frameworks in use

Large businesses are deploying a mixture of different ESG frameworks to measure their progress on all three ESG pillars. On average, the large businesses which Mobilityways contacted had used 3.5 different ESG reporting frameworks each.

However, opinions on which framework was best varied according to the sector they were in. For example, financial services firms judged the Sustainability Accounting Standards Board (SASB) ESG guidance framework 'the most useful': a quarter (26 per cent) of financial services firms favoured SASB over others they've used.

The healthcare sector, by contrast, favoured both the Taskforce on Climate-related Financial Disclosures (TCFD) and the United Nations 17 Sustainable Development Goals (UN SDGs) equally. Both of these frameworks were judged to be 'the most useful' by 19 per cent of NHS/healthcare sector respondents. Looking across all firms and sectors captured by the new Mobilityways study, the SASB framework came out on top with an average of 21 per cent of firms favouring it.

Unsurprisingly, the newer EU Taxonomy framework was ranked least popular with just five per cent of large firms favouring it. Carbon Disclosure Project (CDP) fared little better with just 6.5 per cent of firms finding it to be the most useful framework they've deployed to date.

One in five, 20 per cent, of large construction and civil engineering firms regard the SASB ESG framework as the 'most useful' of all ESG frameworks which they have experience of for reporting their progress against all three ESG pillars.

The financial services sector placed Taskforce on Climate-related Financial Disclosures (TCFD), as assembled by the Financial Stability Board, a long second in terms of usefulness: only 14 per cent of this sector's respondents labelled TCFD as the most useful ESG framework.

In the construction sector, the second most useful ESG framework was the Global Reporting Initiative's Sustainability Reporting Standards (or GRI) – favoured by 12 per cent of construction sector respondents.

Meanwhile, across in the healthcare sector where the public sector NHS trust decision makers dominate respondents, over half (52 per cent) were using the TCFD ESG framework to measure progress and 19 per cent of this sector considered TCFD the most useful framework deployed to date. The United Nations 17 Sustainable Development Goals (UN SDGs) came in equal top (with a further 19 per cent finding the UN SDGs the 'most useful' ESG framework to measuring progress across all pillars in this sector.

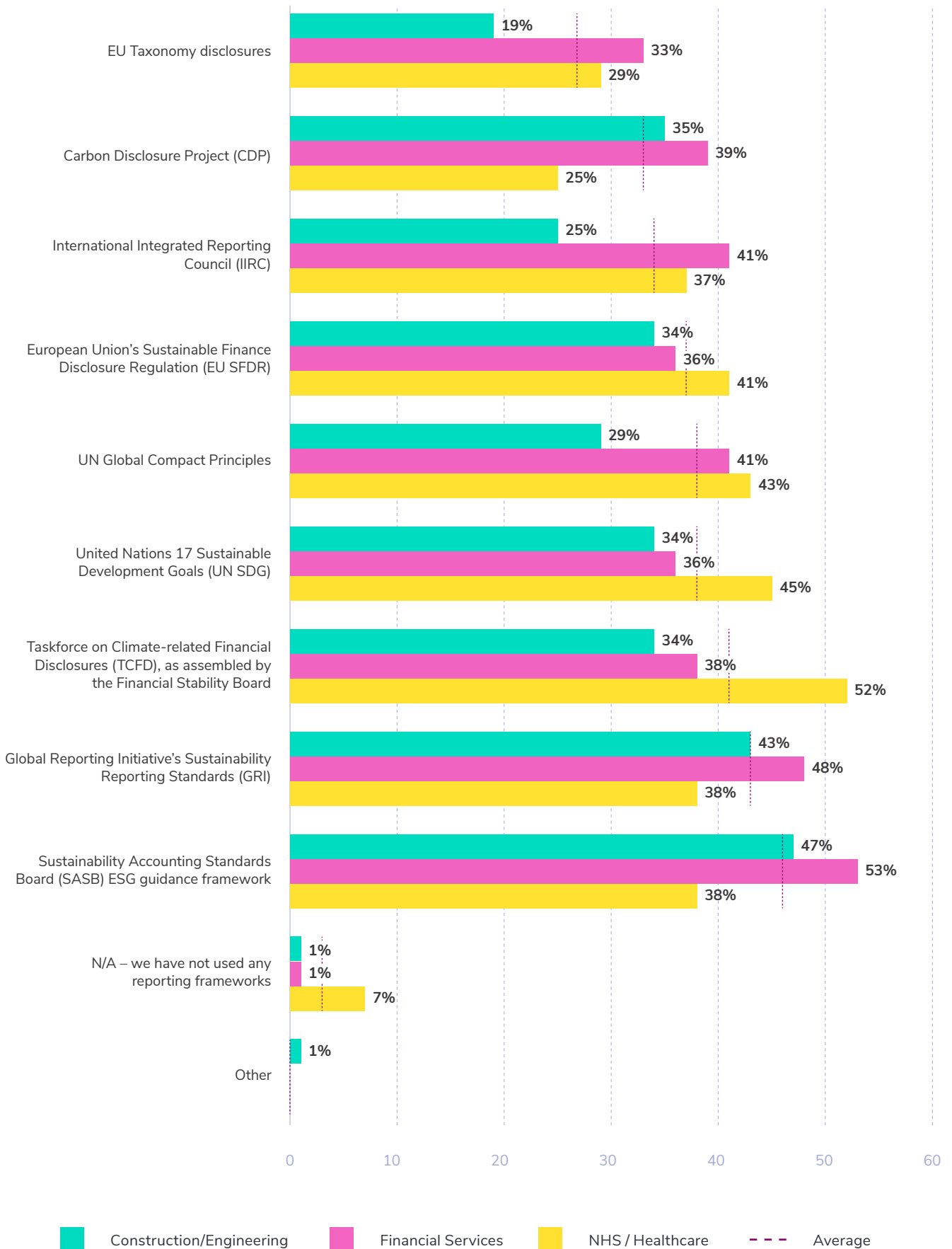


52%

of healthcare sector respondents, primarily led by public sector NHS trust decision makers, use the TCFD ESG framework to measure progress, with 19% considering it the most useful framework deployed to date.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1009448/decarbonising-transport-a-better-greener-britain.pdf

Fig 3. Which ESG and GHG emissions reporting framework(s) have you used to help you measure and monitor progress towards your emissions reduction goals?



Scope 1, 2 and 3 reporting far from ubiquitous

With evidence increasingly clear that positive and improving ESG performance is critical to a company's long-term license to operate, an optimum share price, and the cost it must pay to finance its growth plans; it is again surprising that large firms are not necessarily reporting on all the emissions they are responsible for yet.

For example, only 60 per cent of large, 1,000 or more employee-sized firms will have begun implementing reporting of Scope 1 'direct emissions' and Scope 2 capturing emissions from purchased energy for companies' own use by the end of 2023.

Slightly more encouragingly, two-thirds (66 per cent) of 1,000+ employee firms recorded implementing Scope 3 environmental reporting already (or will be doing so by the end of this year) – collecting indirect emissions from upstream and downstream value chain activities such as employee commutes, supplier emissions and end of life product processing using Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting & Reporting Standard or equivalent.

The financial services and healthcare markets both beat the three sector average as 71 per cent of respondents from both these sectors recorded reporting on their Scope 3 emissions regularly. However, the construction sector lagged on Scope 3 reporting: only 54 per cent of them were reporting on their progress on Scope 3 to date.



60%

of large, 1,000 or more employee-sized firms captured in the Opinionium study will have begun implementing reporting of Scope 1 'direct emissions' and Scope 2 capturing emissions from purchased energy for companies' own use by the end of 2023.

66%

of 1,000+ employee firms recorded implementing Scope 3 environmental reporting already (or will be doing so by the end of this year) – collecting indirect emissions from upstream and downstream value chain activities

Employee commute progress

Mobilityways is an expert on employee commute emissions data gathering which provides solutions designed to help large firms reduce emissions in this key Scope 3 emissions category. It is clear that there is a great many more businesses to reach with solutions to address this category: less than half (48 per cent) of the large businesses which had already begun Scope 3 emissions reporting (65 per cent of the entire audience), 'had worked out a way of measuring GHG emissions from employee commutes to their place of work'. Those figures indicate that less than a third of all large firms have completed work to capture this emissions category.

Nearly half (47 per cent) of UK firms which claim to have implemented Scope 3 reporting have actually completed analysis of 'all our suppliers' and asked them to provide us with relevant emissions data regularly' – a key requirement for Scope 3 reporting.

A slightly higher percentage – 55 per cent – claim to ‘have audited all our suppliers’ emissions data to verify accuracy using a uniform (emissions) reporting framework’.

The same percentage (55 per cent) have fully outsourced the Scope 3 emissions burden, confirming ‘they have worked with an external third party to gather and report our suppliers’ GHG emissions records and report emissions reduction progress to stakeholders annually or more frequently’.

A similar percentage – 56 per cent – had used Scope 3 findings as impetus to make positive changes already. They confirmed that they had already ‘studied the impact of our products after use and used this data as the impetus to redesign how we make our products and deliver our services’.

‘Scope 3 Standard’ fully implemented by less than a third of UK firms

Just 46 per cent of those that claimed to be doing Scope 3 reporting have so far ‘fully implemented *The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*’, also referred to as the ‘Scope 3 Standard’.

The ‘Scope 3 Standard’ provides requirements and guidance for companies and other organizations to prepare and publicly report a GHG emissions inventory that includes indirect emissions resulting from value chain activities (i.e., Scope 3 emissions).

The primary goal of this standard is to provide a standardized step-by-step approach to help companies understand their full value chain emissions impact in order to focus company efforts on the greatest GHG reduction opportunities, leading to more sustainable decisions about companies’ activities and the products they buy, sell, and produce. The standard was developed with the following objectives in mind:

- To help companies prepare a true and fair scope 3 GHG inventory in a cost-effective manner, through the use of standardized approaches and principles
- To help companies develop effective strategies for managing and reducing their scope 3 emissions through an understanding of value chain emissions and associated risks and opportunities
- To support consistent and transparent public reporting of corporate value chain emissions according to a standardized set of reporting requirements. Ultimately, this is more than a technical accounting standard. It is intended to be tailored to business realities and to serve multiple business objectives. Companies may find most value in implementing the standard using a phased approach, with a focus on improving the quality of the GHG inventory over time.

Disappointing then that less than half of the two-thirds (or just over 30 per cent of the whole sample) of large UK firms we captured in this study had fully implemented the Standard.



47%

of UK firms which claim to have implemented Scope 3 reporting have actually completed analysis of ‘all our suppliers’ and asked them to provide us with relevant emissions data regularly’ – a key requirement for Scope 3 reporting.

Environmental reporting concerns

Lack of reporting standardisation

The lack of standardisation for weighting and measuring emissions performance, especially with regard to Scope 3, was the most significant concern with the environmental performance reporting systems firms were using, as clear evidence emerged of a spaghetti soup of different ESG reporting frameworks, standards and sector certification systems being applied across many large organisations.

Over half, 56 per cent, of 1000+ employee firms cited this lack of standardisation for Scope 3 reporting as a top concern. Meanwhile, just over half (52 per cent) of the largest firms were having difficulties turning all the emissions data into actionable insights, admitting 'we don't really know the story behind the numbers' yet.

Data accuracy still a worry, especially for supply chain data

Just under half (49 per cent) of large companies expressed concern about the accuracy of existing environmental performance scoring and ratings systems they used, while 47 per cent recorded 'gaps in provision of our organisation's and suppliers' environmental performance records'.

1.5% 'on top of' all Scope 1, 2 and 3 reporting

Just 1.5 per cent of the organisations with more than 1,000 staff that have started environmental reporting using a recognised ESG reporting framework, felt they had 'a strong handle on all our Scope 1, 2 and 3 reporting systems and processes'. Less, just one per cent of businesses with 501 to 1,000 employees felt they were on top of all Scope 1, 2, and 3 emissions reporting systems and processes.

Scope 3 emissions reporting could be mandated over the next 12 months

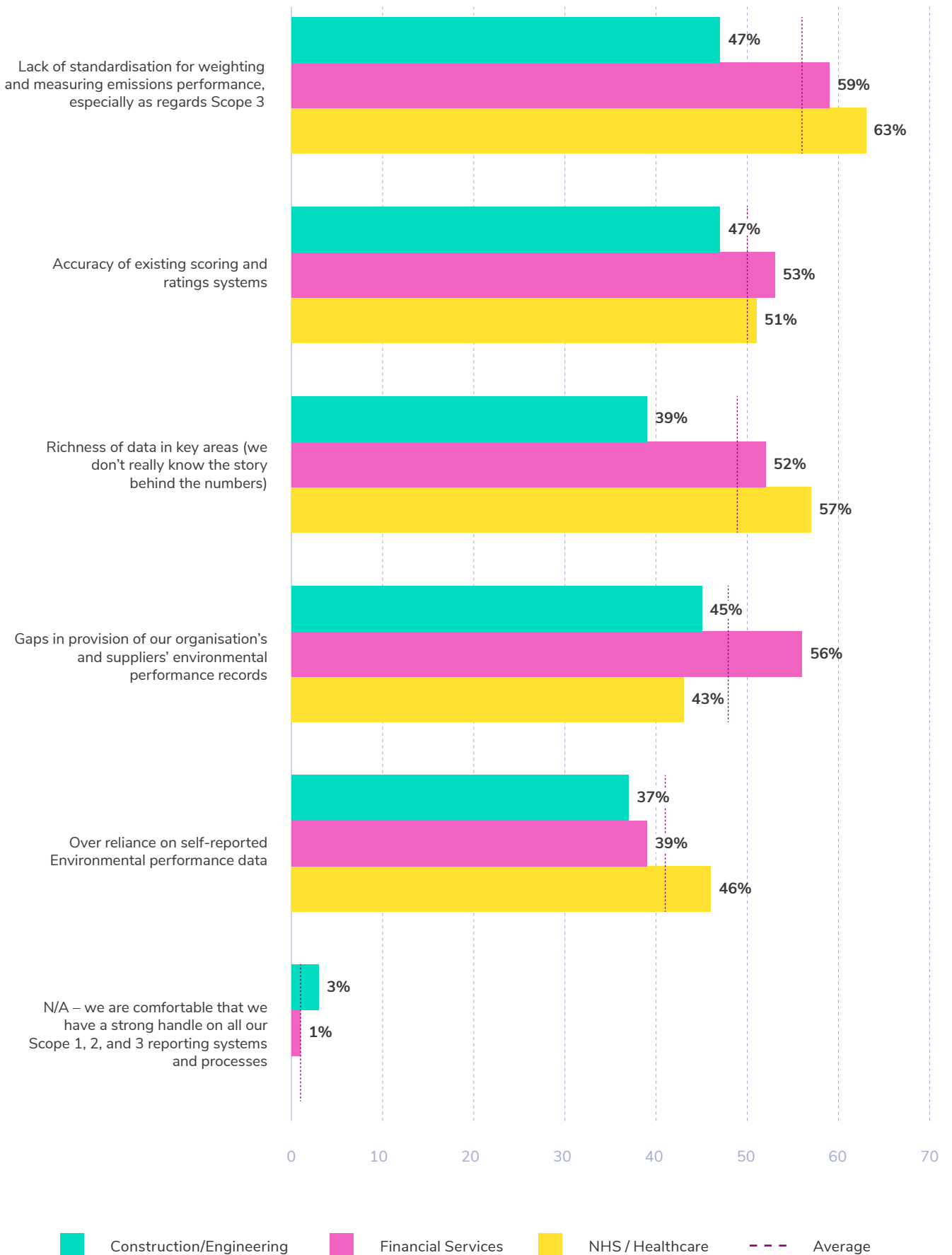
Yet, the International Sustainability Standards Board (ISSB) has recently set out a framework within its [Climate-related Disclosures Standard \(S2\)](#) for the measurement of Scope 3 GHG emissions. The UK Government has already endorsed the ISSB's S1 and S2 disclosure standards, and UK financial regulator the Financial Conduct Authority is simultaneously developing its [Sustainable Disclosure Requirements](#) and investment labels (SDR), with final rules on these also expected imminently. All this is on top of [the Greenhouse Gas Protocol's Corporate Value Chain \(Scope 3\) Accounting & Reporting Standard](#) which has been in place for over 10 years.



49%

of large companies expressed concern about the accuracy of existing environmental performance scoring and ratings systems they used.

Fig 4. What are your three main concerns with the environmental performance reporting systems you are using today?



Benchmarking

Our study also considered which categories of Scope 1, 2 and 3 environmental pillar reporting could be benchmarked against the rest of the sector to assess progress.

Across key categories making up Scope 1 and 2 reporting, amongst the 60 per cent of firms putting together Scope 1 and 2 reports already, between 60 and 70 per cent of them can benchmark their results against a sector average. For example, 63 per cent of firms completing Scope 1 and 2 reports were able to 'sector benchmark' their progress on 'GHG Emissions Impact'; and 65 per cent were able to sector benchmark their 'Biodiversity Impact'. While 63 per cent were able to benchmark their Waste Management and Water Management numbers against their sector's averages.

Large firms pushing hard to benchmark Scope 3 factor progress

Firms captured by this study were showing generally higher percentages than for Scope 1 and 2 benchmarking. Across the 15 most significant Scope 3 categories, on average just under two-thirds, 66 per cent, (of those already completing Scope 3 reports) were able to benchmark their results against their peer group or sector average. Nearly three quarters (74 per cent) of firms were able to benchmark progress in reducing all Capital Goods-linked 'upstream' emissions including production equipment and goods purchased or acquired by the company in the year.

Nearly two thirds (66 per cent) were able to measure their progress against their sector's benchmark in terms of reducing emissions from their employees' commuting. Emissions from leased assets was the Scope 3 category proving the toughest to benchmark. Just 58 per cent of large firms were able to see how they were doing in terms of reducing emissions from their leased vehicles, commercial property, plant and machinery, including items leased to their customers.

Largest firms struggle more to benchmark emissions

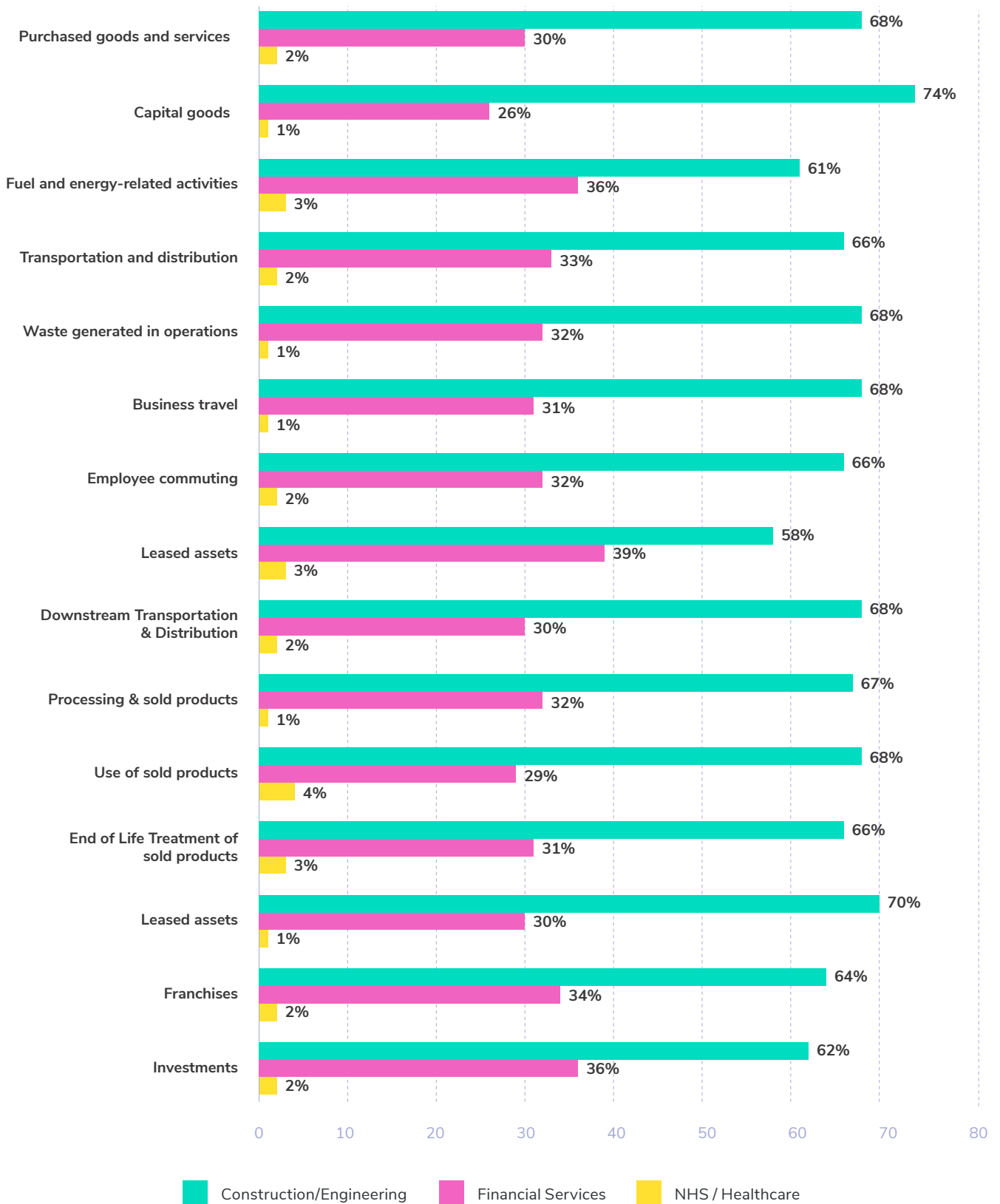
What was also noticeable is that the largest firms, with more than 1,000 employees which make up more than 70 per cent of the firms Mobilityways reached for this study, were having more trouble benchmarking themselves against their peers or sector. For example, for capital goods upstream emissions 86 per cent of firms employing 500 to 1,000 employees were able to benchmark their performance in this category, whereas only 69 per cent of 1,000+ employee firms were able to benchmark results for this key category.



63%

of firms completing Scope 1 and 2 reports were able to 'sector benchmark' their progress on 'GHG Emissions Impact'.

Fig 5. To what extent can you measure and compare your Upstream and Downstream Scope 3 environmental performance with your sector peers?



Further to this, only 61 per cent of those largest companies were capable of comparing their employee commute emission results with sector averages. Meanwhile, amongst firms employing between 501 and 1,000 staff (which had implemented Scope 3 reporting already), 79 per cent were already capable of benchmarking their emissions from employee commuting.

Deep dive into Scope 3

Scope 3 emissions impact underestimated

There is still some reticence around addressing Scope 3 indirect emissions. Yet the firms which have begun addressing this work head on are finding there are massive emissions reductions to be realised.

The study uncovered that sustainability chiefs calculated that, on average, they expected that 38 per cent of total emissions would come from Scope 3 reductions. That figure looks like a significant underestimate based on previous industry studies. Some authoritative studies have found Scope 3 emissions in some large global organisations account for as much as 85 per cent of their total emissions.

Scope 3 improvement motivations

Corporate motivations for improving Scope 3 emissions reporting accuracy and benchmarking capabilities vary. However, Scope 3 reporting adoption is definitely benefiting from a focus by companies on improving supply chain management – auditing the suppliers they use more carefully if you will.

For example, 41 per cent of financial services respondents saw their ‘need to increase the resilience of our supply chain’ as a top three driver for Scope 3 reporting adoption and improvement right now.

Obviously for publicly-listed firms the fact that Scope 3 reporting was being mandated by stock exchanges around the world (starting with SEC-regulated exchanges in the States) remains a key driver – 38 per cent of all large companies captured by this study put the threat of mandatory reporting in their top three drivers for getting Scope 3 reporting right.

Just over a third (34 per cent) saw corporate reputation risk (from not showing leadership on Scope 3 reporting) as a top three driver. The same percentage, perhaps the glass half full group, saw strong Scope 3 reporting and benchmarked results as a good way of differentiating themselves positively.

Nearly a third (32 per cent) were a little more hard-nosed - seeing Scope 3 reporting as literally a corporate valuation issue and suggesting, ‘if we get this right our costs of doing business and borrowing money fall and we are likely to gain access to higher value tenders and win the war for the best and brightest talent’.



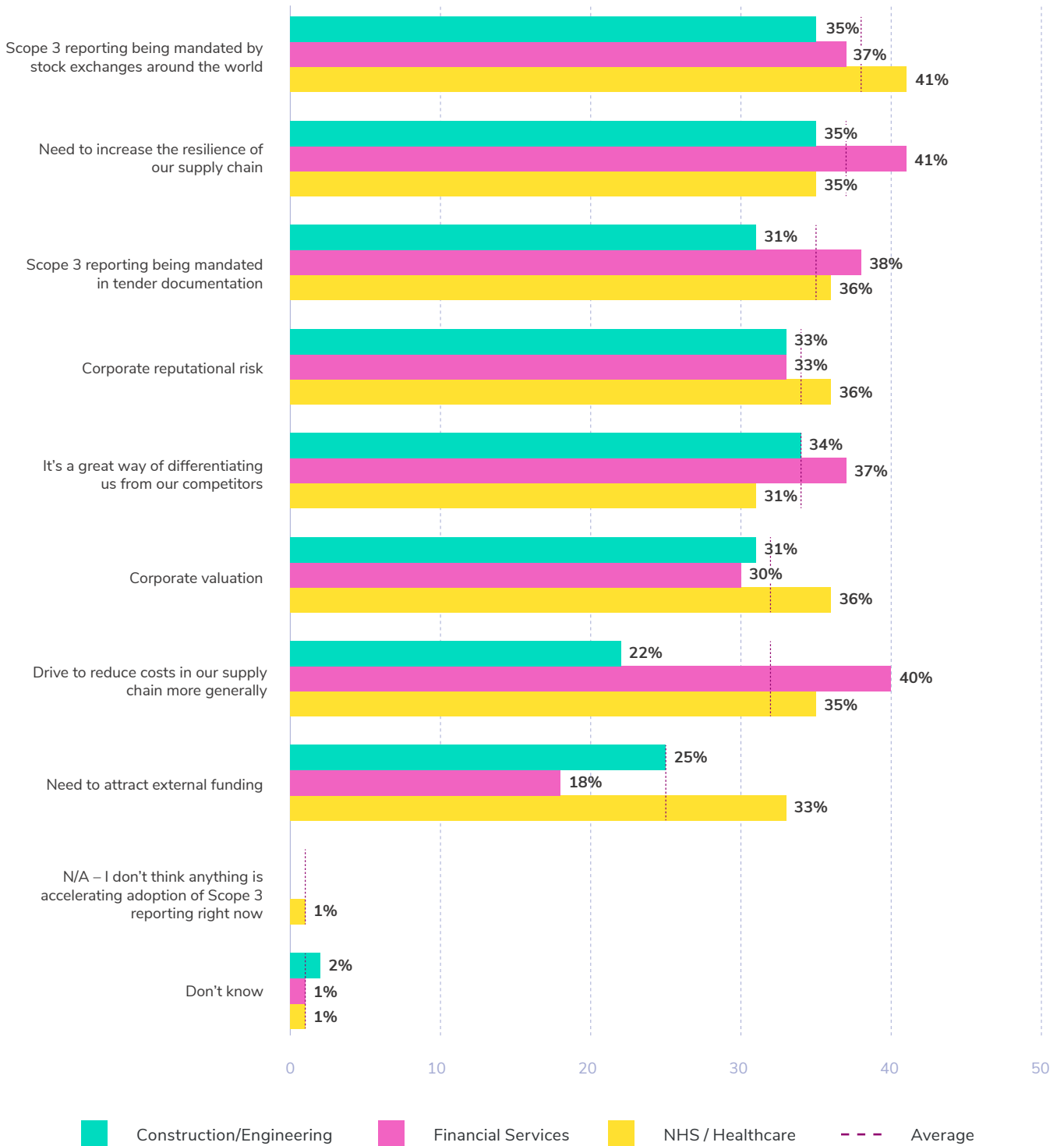
38%

of all large companies captured by this study put the threat of mandatory reporting in their top three drivers for getting Scope 3 reporting right.

32%

saw Scope 3 reporting as literally a corporate valuation issue and suggesting, ‘if we get this right our costs of doing business and borrowing money fall and we are likely to gain access to higher value tenders and win the war for the best and brightest talent’.

Fig 6. What do you think is driving Scope 3 reporting adoption and improvement right now?



28%

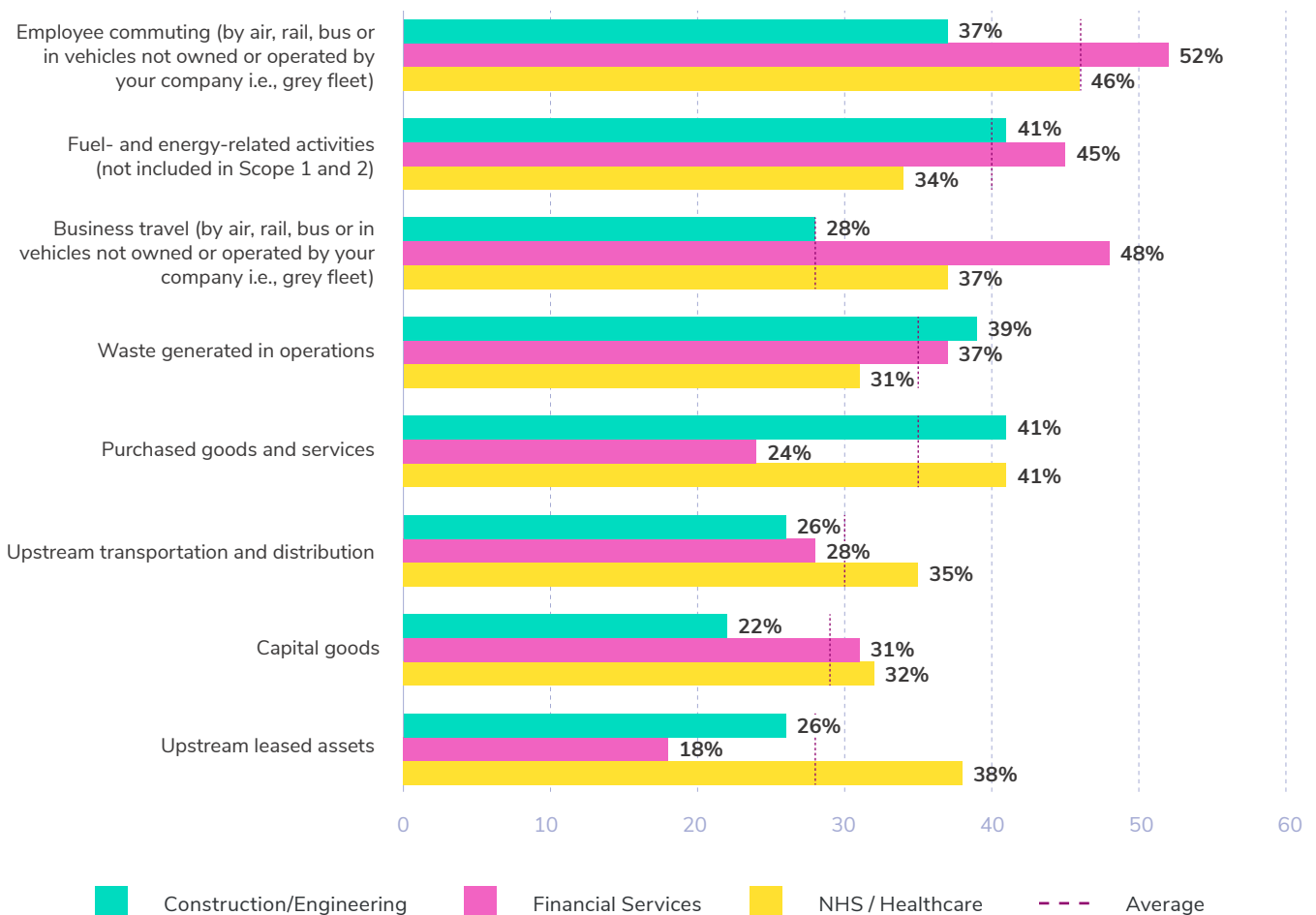
of firms put gathering accurate emissions numbers for their leased assets in their top 3 upstream Scope 3 categories worthy of closer attention this year.

Employee commute emissions focus in 2023

Establishing reliable and accurate systems for collecting and reporting emissions in the course of their employees travelling to and from work, is the top 'upstream' Scope 3 category in terms of focus for nearly half (46 per cent) of all firms (which are addressing Scope 3 reporting). Forty per cent of firms are most focused on reporting accurately on fuel- and energy-related activities (not included in Scope 1 and 2 reporting). While 38 per cent of firms admitted putting focus this year on reporting Business travel more accurately and completely.

Upstream leased assets is receiving least attention this year – just 28 per cent of firms put gathering accurate emissions numbers for these assets in their top 3 upstream Scope 3 categories worthy of closer attention this year.

Fig 7. Which Upstream Scope 3 emissions categories are you most focused on reporting accurately on in 2023?



'Waste generated in operation' is the Upstream Scope 3 category which firms seem to have most confidence that they have accurate numbers for already: nearly half (46 per cent) of all firms carrying out Scope 3 reporting today believe they have 'consistently accurate, complete and transparent emissions reports for' the waste their value chain generates.

Interestingly, nearly half of firms carrying out Scope 3 reporting believe they already have accurate, complete and transparent emissions reports for both business travel (for 46 per cent of these large firms), and employee commute emissions (for 40 per cent).

Although only 28 per cent had confidence in their emissions numbers linked to 'upstream transport and distribution' to date. Just under two per cent of the largest firms captured by this report admitted to not having any consistently accurate, complete, and transparent emission reports for any upstream Scope 3 categories.



Are large firms prioritising Scope 3 reporting categories based on the ease with which they can lay their hands on primary data covering a given category?

Direct access to primary emissions data is key to accurate reporting

A major factor influencing companies' certainty whether they have accurate, complete and transparent emissions numbers was ability to access and analyse primary data, including data provided by suppliers and other value chain partners related to specific activities in the reporting company's value chain.

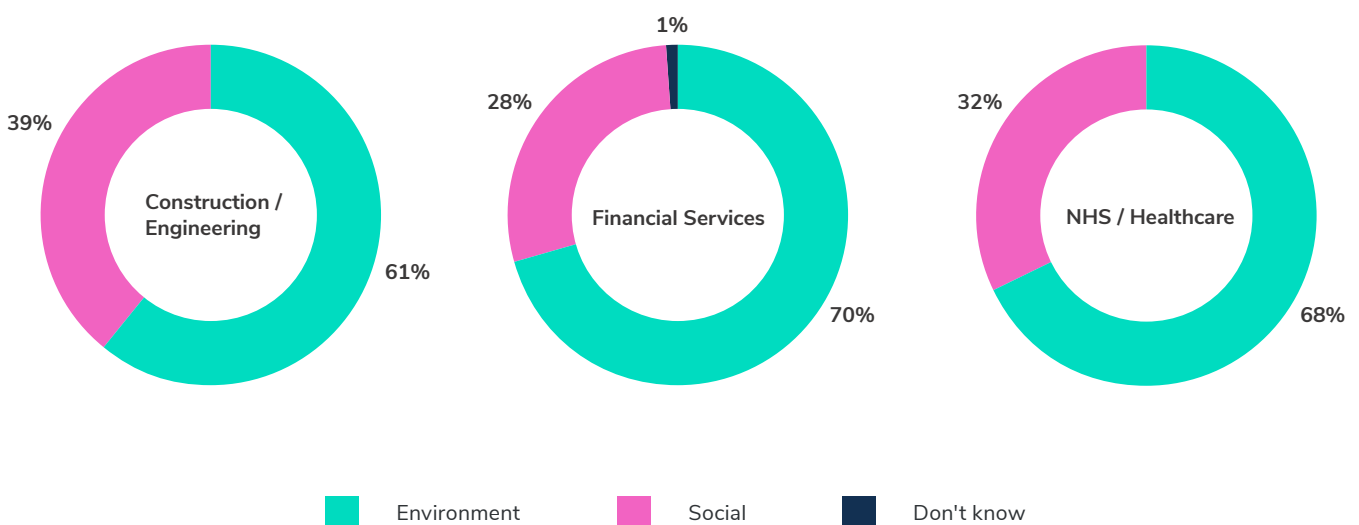
The reason why, for example, firms are particularly struggling to gain an accurate handle on emissions linked to leased assets is that only 32 per cent of all firms (and 29 per cent of the largest firms with more than 1,000 employees) had access to primary data in this category (the lowest of all upstream Scope 3 categories).

This brings us onto the final question in this section: are large firms prioritising Scope 3 reporting categories based on the ease with which they can lay their hands on primary data covering a given category? Perhaps it should be no surprise that of those providing their Scope 3 emissions numbers, more than two-thirds (67 per cent) were being guided by the ease with which they can gather primary data for a category. For the largest firms with more than 1,000 employees that percentage is even higher at 70 per cent.

The remainder were more focused on emissions impact and therefore tackled categories likely to deliver the 'largest GHG emissions reductions' if they can find ways of cutting emissions. The bias towards addressing Scope 3 categories which are easiest to uncover data for does help explain why categories like 'leased assets' and 'capital goods' fare least well in terms of progress. Whilst primary data for business travel and employee commute emissions calculations is undoubtedly easier to gather. Business travel data is already collected in many employees expenses records, for example.

Interestingly, the construction sector is most likely to prioritise Scope 3 emissions categories based on where they think the most emissions reductions are likely to be found: 39 per cent of firms in this sector used this approach - well above the average which was 33 per cent of large firms already doing some Scope 3 reporting.

Fig 8. Have you prioritised your Scope 3 categories based on either of the following factors?



Employee Commute emissions reporting progress

Nearly three quarters (73 per cent) of all firms captured by this study claim to have already begun reducing GHG emissions linked to their employees’ commutes and a further 15 per cent plan to begin this work before the end of 2023. A further three per cent plan to do so but have not yet prioritised or timetabled this activity.

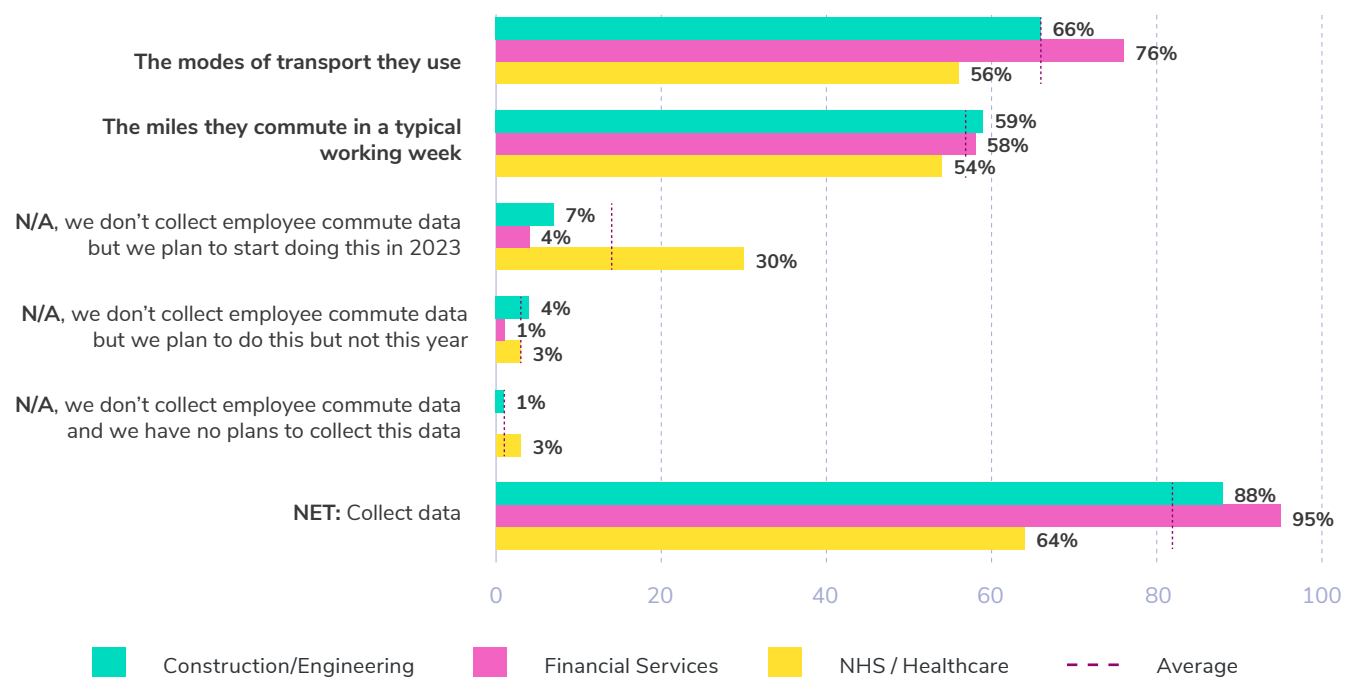
That leaves just nine per cent of firms which have not started the work and have no plans to do so right now. More than nine out of every 10 UK businesses with more than 500 employees are actively planning to, or are already, striving to reduce emissions from their employees’ commutes to and from work. These percentages are even higher for larger businesses with more than 1,000 employees where, according to Mobilityways’ findings, 79 per cent of firms are already seeing emissions reduction in this category. A further 11 per cent plan to start this activity before the end of 2023 and a further three per cent intend to but have not yet timetabled the work involved.

Data collection key to getting started on emissions reduction initiatives

The key to finding ways to cut emissions is of course data collection. Employee commute-generated emissions are no different. To accurately work out emission levels you not only need to find out modes of transport used by all members of staff, but also the number of miles they travel in a typical working day using each of those modes. For example, many will have multi-modal journeys requiring a short car drive to a station, then their train, followed by a short walk to the office.

Encouragingly, 84 per cent of large firms with more than 1,000 employees are already collecting some data with a view to addressing emissions from workers’ commutes. However, perhaps surprisingly, more firms are collecting the ‘modes of transport’ that staff are using (66 per cent), than the ‘miles commuted in a typical working day’ (57 per cent). 12 per cent plan to start collecting employee commute data before the end of 2023 but had not started doing so at time of questioning.

Fig 9. What employee commuting data do you currently collect?



Of course, it's critical to have both these sets of data to provide accurate emissions estimates but Mobilityways believes that collecting distance of each worker's commutes is seen as more difficult.



Some think that employee commute data collection presents GDPR issues, as postcodes of their homes will need to be inputted into emissions calculators. However, if done methodically and using systems such as Mobilityways, GDPR can easily be complied with.

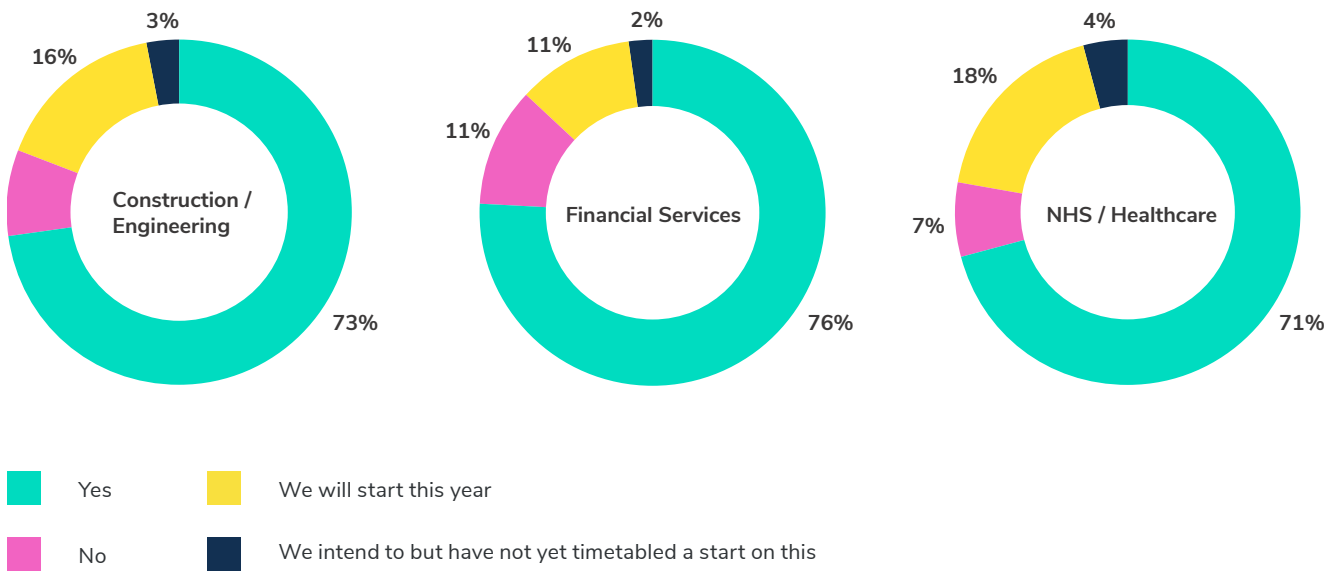
Basil Choudhry | Commercial Director at Mobilityways



Fig 10. If you are not collecting employee commute data yet, is this because you are concerned about breaching GDPR data protection legislation?



Fig 11. Have you started to reduce GHG emissions linked to employee commutes?



44%

of those that have started reducing employee commute emissions have put in EV charging stations on company premises/car parks.

41%

of those that have started reducing employee commute emissions have offered financial incentives to staff to encourage them to use greener alternatives to get to work.

Nearly half (46 per cent) of those that have started reducing employee commute emissions have already brought in 'expert data/service provider to help us gather GHG emissions data from employee commuting and use this data to stimulate staff commuting habit changes'.

Nearly as many, 44 per cent, have put in EV charging stations on company premises/car parks. While 41 per cent have offered financial incentives to staff to encourage them to use greener alternatives to get to work.

An astonishing 41 per cent have also explored different working patterns: in this case working four days per week rather than five! Agreeing Work From Home (WFH) policies is also keeping employee commute emissions in check. For example, it is not uncommon for technology businesses to only mandate one day in the office each week as part of new 'hybrid working' policies. Some firms still don't demand a single day of office attendance each week!

NHS/healthcare is most likely of all three sectors captured in the core study to reduce days of work (i.e., moving to four day working week with longer hours on those days) than any other sector in this study - 52 per cent of healthcare firms have offered to reduce the number of days of commuting to their place of work. The healthcare sector is also the most likely to install EV charging stations on company premises – 51 per cent of them have been doing this. The financial services sector has also been avidly installing EV charging stations to encourage staff to commute greener – 45 per cent of this sector have done this.

Fleet managers taking decisive action to reduce emissions

Over two-thirds (69 per cent) of fleet heads confirmed that they had already started reducing emissions linked to employee commutes. Transport and fleet management chiefs are most likely of all key decision-makers reached for this study, to push for an office move to be closer to a greater number of employees' homes or to key transport links: 52 per cent of them have explored that already and 55 per cent advocated shorter working weeks – a move to four days per week with longer hours on those days.

47 per cent of transport and fleet bosses had stimulated Electric Vehicle (EV) usage by installing EV charging stations in company car parks. Nearly half (49 per cent) had brought in expert data and service providers to help gather GHG emissions data from employee commuting – using this data to stimulate staff commuting habit changes.

Meanwhile, Facilities Managers are most likely to advocate more generous WFH/remote working practices: 40 per cent of them have been pushing for this, as against a 35 per cent average across all respondents taken together.



It is clear from our daily conversations with senior decision-makers in large companies that they come at employee commute emissions reduction planning from different points of view.

It is natural that transport and fleet management heads will tend to be focused on incentivising and enabling staff to move into an EV from their ICE company car. Whereas Facilities Managers often see employee commute emissions reduction as part of the justification for rationalising the company's office estate as hybrid working patterns settle down and pre-pandemic office footprints continue to look too large.

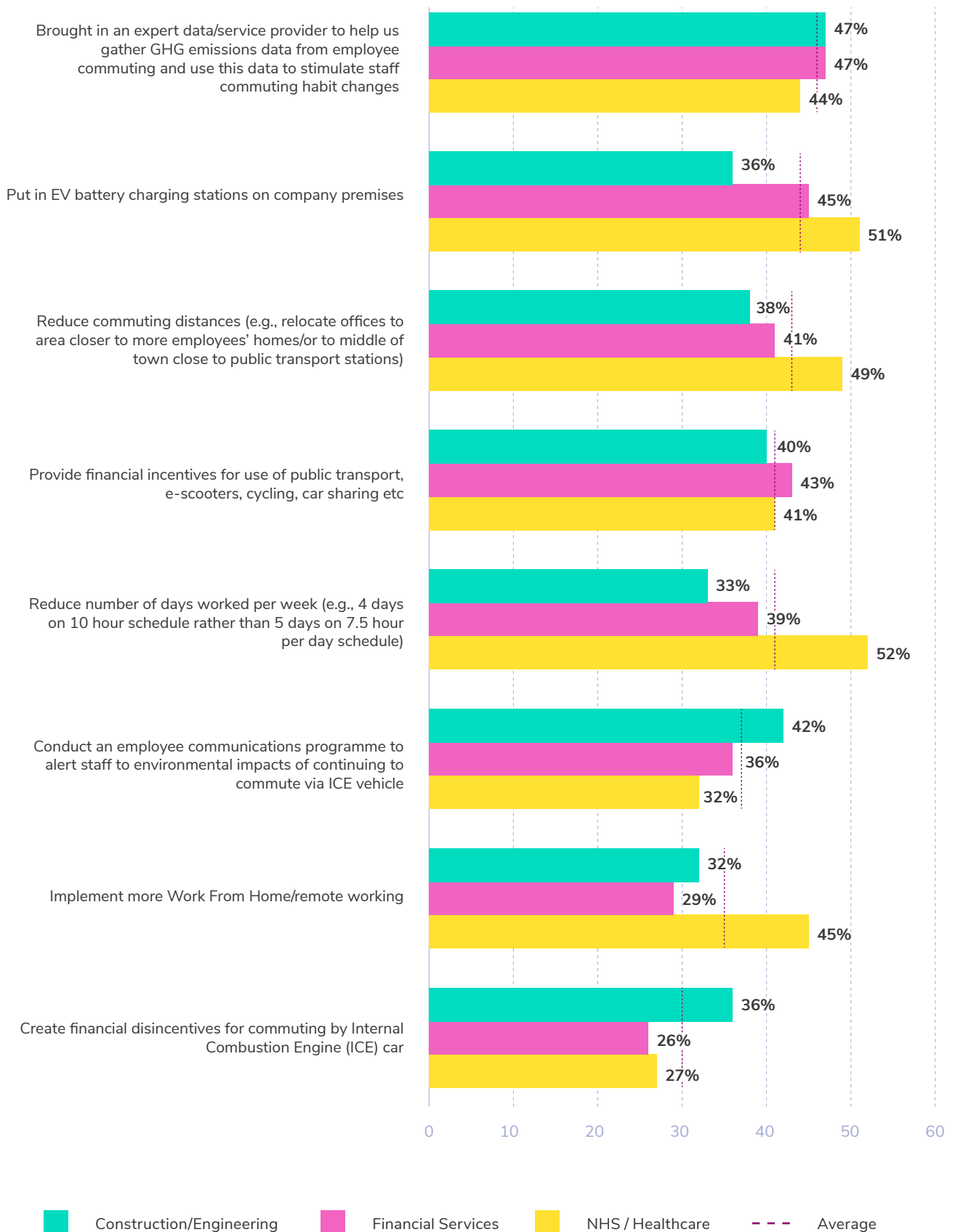
It is also true to say, that some organisations prefer more policy-based 'stick' approaches. So, they might start charging single occupant vehicle commuters to park their cars in the company car park. While those that have signed up for car sharing do not have to pay anything to go into the same car park.

Whereas others are more carrot-focused – perhaps encouraging employees to make the transition to EV by offering more generous vehicle bands for EV company car users (compared with those sticking with ICE vehicles for their next company car change) and putting in free EV chargers in highly convenient location parking spots.



Mark Hand | Director at Mobilityways

Fig 12. Which of the following actions have you taken to reduce emissions associated with employee commuting? N.B. Responses are from a pre-selected group - 73% of the whole sample - that are already actively reducing employee commutes. So, these are strategies which have been deployed already.





53%

of all 300 firms captured by this study use 'absolute targets for employee commute emissions reduction reporting.'

Over-reliance on carbon offsets and credits to meet employee commute emissions reduction goals

Mobilityways decided to explore what types of targets large firms were setting in terms of emissions reduction in the employee commute category. We also wanted to explore the level of firms' reliance on carbon offsets and credits to achieve their reduction targets.

Forty per cent of firms responding to this study reported using carbon offsets or credits to meet Greenhouse Gas (GHG) reduction targets in the employee commute category. The healthcare sector, the sector, with which Mobilityways works most in recent years, is the most reliant of the three in Mobilityways' core Opinionium study: 44 per cent of healthcare services providers (including many NHS trusts) admitted to relying on offsets and credits to hit their employee commute emission reduction targets.

More than half (53 per cent) of all 300 firms captured by this study use 'absolute targets (expressed as a reduction in GHG emissions to the atmosphere over time in units of metric tons of CO₂e)' for employee commute emissions reduction reporting.

Nearly half (49 per cent) use a so-called 'intensity target' which is normally expressed as a reduction in the ratio of GHG emissions relative to a business metric such as output, sales or revenues. The financial services sector leads on setting absolute targets – 58 per cent of these companies use them and heads of sustainability also prefer them.

Nearly as many (43 per cent) have fixed a target date for their emission reduction targets in this category. That could simply mean that they plan to reach Net Zero on employee commute emissions before, say, 2050.

Finally, 39 per cent have placed a numerical value on hitting their emission reductions. That indicates that they are factoring in carbon prices into emission reductions. So, as carbon prices rise as we get closer to Net Zero, it's of course valuable to keep track of savings made so far and also of any potential exposures to the need to buy carbon credits down the road if business cannot keep hitting its interim emission reduction targets.

Only three per cent of firms have not yet set any emission reduction targets associated with employees' commutes but plan to do so. Just one per cent have set no reduction targets for this category and have no plans to do so today.



It's our belief that heavy reliance on offsets and credits is a problem because it relies on others to plant the trees or improve the health of peat bogs etc. If firms invest in offset schemes unwisely they may find it does not deliver the decarbonisation it promises. It fails to tackle the problem at its roots by making us take full responsibility for reducing our company's emissions.



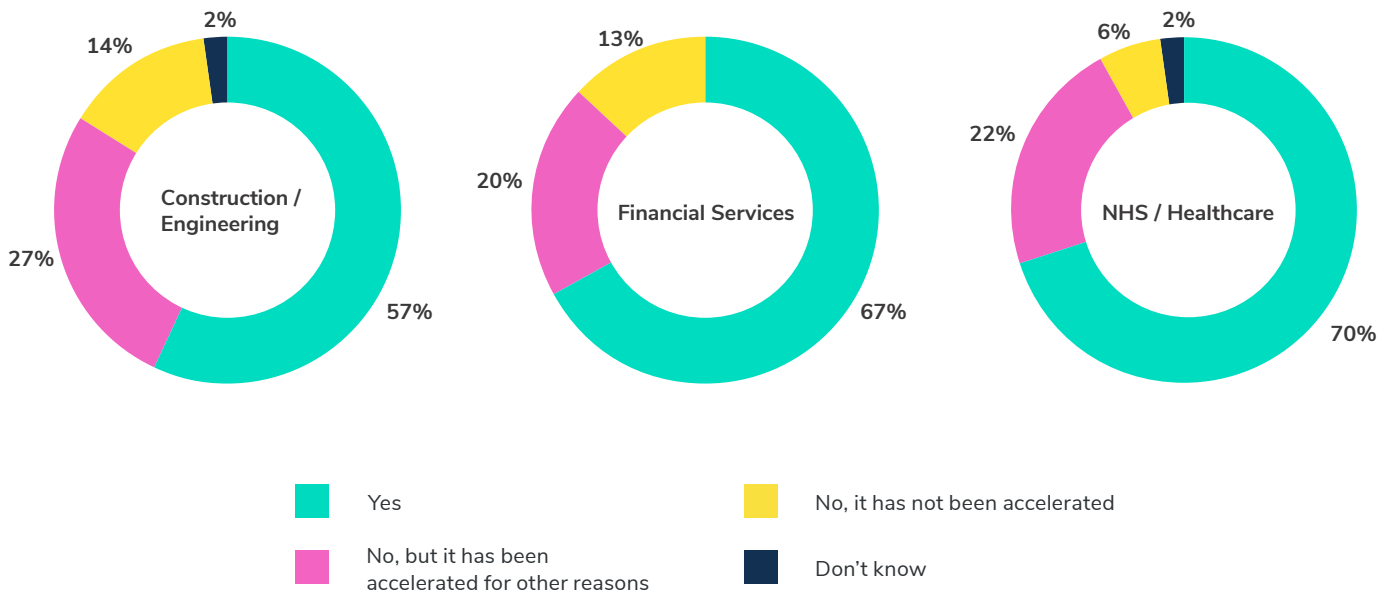
Julie Furnell | Managing Director at Mobilityways

Covid-19 Acceleration

There seems little doubt from Mobilityways' 'Road to Net Zero' study findings, that the period of the pandemic has seen an acceleration in the focus on GHG emissions reporting. Over 88 per cent of firms agreed that the focus on emissions reporting had intensified during the 2020-2022 period.

Nearly two-thirds (65 per cent) put the increase in focus on emissions reporting down to COVID-19 itself; with the remainder, 23 per cent, saying the increased focus was down to other factors such as increased regulation and evidence of deteriorating climate, biodiversity, and the rising cost of doing business set against this backdrop.

Fig 13. Has the COVID-19 pandemic led to an acceleration of GHG emissions reporting, including Scope 3 reporting, by your company?



65%

of firms put the increase in focus on emissions reporting down to COVID-19 itself; with the remainder, saying the increased focus was down to other factors.



ROAD TO NET ZERO STUDY

Sector Focus: Healthcare



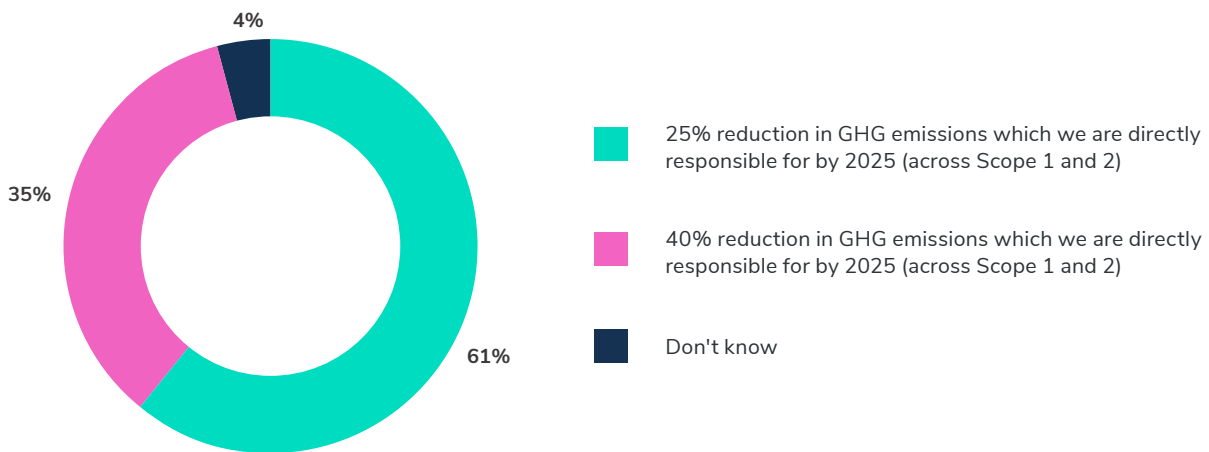
Healthcare sector specific findings

Setting realistic Scope 1 and 2 interim targets

The IPCC (Intergovernmental Panel on Climate Change) predicts that global temperature will stabilise when carbon dioxide emissions reach Net Zero. For 1.5°C target to be kept alive (above pre-industrial levels) net zero carbon dioxide emissions must be reached globally in the early 2050s. For 2°C (3.6°F), we must hit this target in the early 2070s. This assessment shows that limiting warming to around 2°C (3.6°F) still requires GHG emissions to peak before 2025 at the latest and be reduced by at least a quarter by 2030.

The majority of healthcare organisations (61 per cent) feel that achieving a 25 per cent reduction in GHG emissions which they are directly responsible for by 2025 (across Scope 1 and 2) was realistic. Over a third (35 per cent) think they can go further to reduce Scope 1 and 2 linked emissions by 40 per cent by 2025 which is very aggressive as a target. Both targets would put UK healthcare organisations ahead of IPCC implied targets, thereby 'keeping 1.5°C alive' as a goal.

Fig 14. What do you regard as a realistic target for Scope 1 and 2/direct Greenhouse Gas (GHG) emissions in the healthcare market?



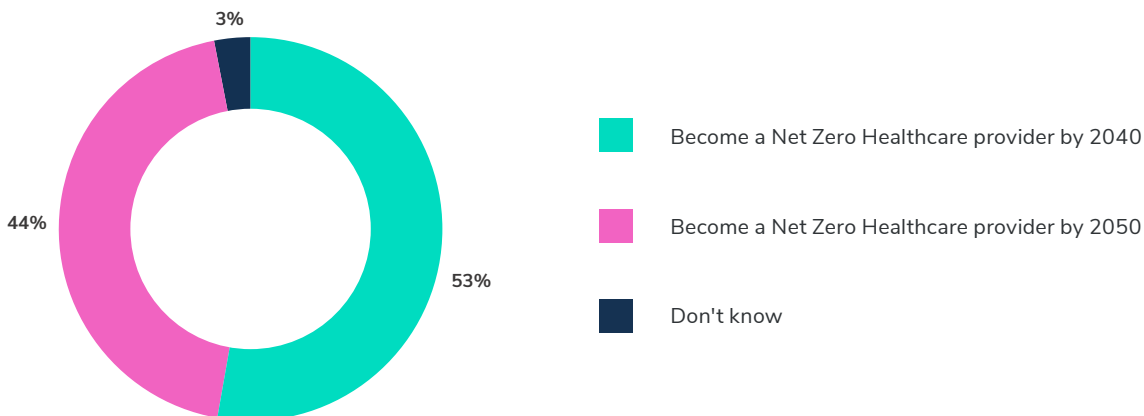
To keep the 1.5°C target alive (above pre-industrial levels) net zero carbon dioxide emissions must be reached globally in the early 2050s.

35% of those healthcare organisations think they can go further to reduce Scope 1 and 2 linked emissions by 40 per cent by 2025.

Net Zero by 2050 is realistic

Again, in order to keep 1.5°C alive, it is critical for companies to get to Net Zero by the early 2050s. Encouragingly, nearly all healthcare organisations think this is possible for Scope 1 and 2 'direct' emissions anyway: 97 per cent of all healthcare companies surveyed think the sector can reach Net Zero by 2050 and more than half (53 per cent) think it's do-able 10 full years earlier by 2040 – in just over 16 years' time!

Fig 15. What do you regard as a realistic target for Scope 1 and 2/direct GHG emissions in the healthcare market?



Healthcare sector ahead on Scope 3 emissions reporting

Over two-thirds (71 per cent) of healthcare sector is already collecting Scope 3 emissions data but many remain worried about reporting accuracy and inability to benchmark progress on emissions reductions. Of this engaged group, 61 per cent have 'audited all their suppliers' emissions data to verify accuracy using a uniform reporting framework'.

Nearly half (48 per cent) named the 'Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting & Reporting Standard' as the framework they have fully implemented for Scope 3 reporting. In addition, nearly half of these healthcare firms (49 per cent) have 'analysed all their suppliers' emissions and asked them to provide us with relevant emissions data regularly'.

Across all except one of the six key measures of Scope 3 emissions reporting progress which the Mobilityways study probed, the healthcare sector was found to be ahead of this study's multi-sector benchmark. The only category for which the healthcare sector was marginally below Mobilityways' benchmark was in working out a way of 'measuring GHG emissions from employee commutes to their place of work'.



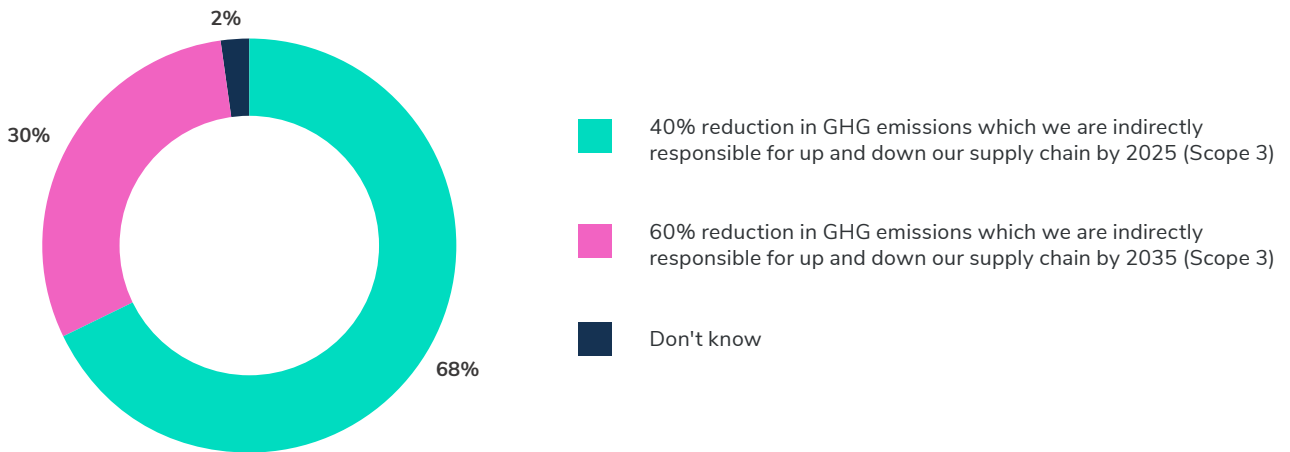
68%

of healthcare firms believe that a 40 per cent reduction in Scope 3 emissions is possible by 2025, in just over a year's time.

Ambition around Scope 3 emission reduction targets even higher

Despite the clear additional complexity of Scope 3 emissions data capturing, reporting and pushing third parties to make emission reductions (when compared with Scope 1 and 2), the healthcare sector's ambition around interim 'Towards Net Zero' and longer term Net Zero targets are no less ambitious. The fact that over two thirds (68 per cent) of healthcare firms believe that a 40 per cent reduction in Scope 3 emissions is possible by 2025, in just over a year's time seems incredible. And about a third (30 per cent) think 60 per cent Scope 3 emission reduction by 2035 is possible. If these sorts of targets are hit then Scope 3 Net Zero seems in range in the early 2050s as the IPCC indicates is vital for the Planet's health.

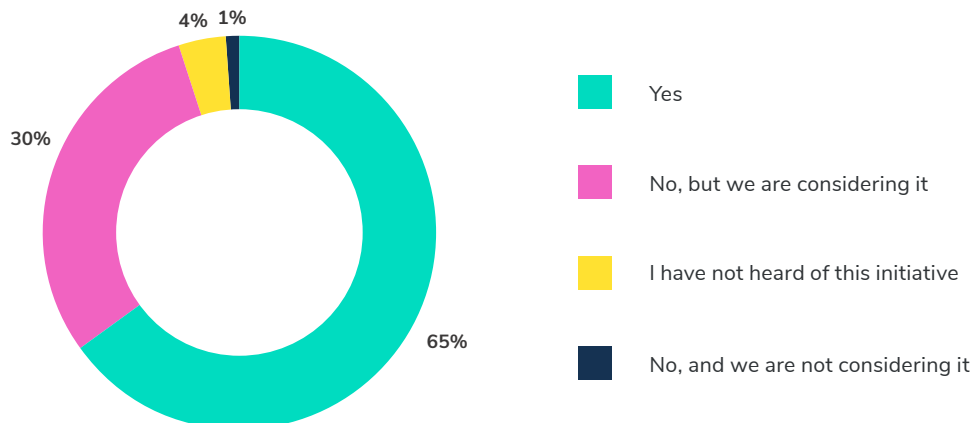
Fig 16. What do you regard as a realistic target for Scope 3/indirect Greenhouse Gas (GHG) emissions in the healthcare market?



Race to Net Zero Healthcare Partner captures imagination

The Race to Net Zero Healthcare Partner programme has caught the imagination of the sector, especially amongst large healthcare organizations: 95 per cent of those with more than 1,000 staff have either signed up to become a 'Net Zero Healthcare Partner' (72 per cent) or are strongly considering it (23 per cent). Organisations signing up to this scheme must commit to halve global emissions by 2030 and deliver a healthier, fairer zero carbon world.

Fig 17. Are you a 'Race to Zero Healthcare Partner' demanding that your firms takes rigorous and immediate action to halve global emissions by 2030 and deliver a healthier, fairer zero carbon world?



Just under 48 per cent of healthcare organisations had worked out a way of collecting and analysing employee commute data. The Mobilityways three sector benchmark (based on its study of large financial services, construction and healthcare organisations) found that the average implementation of employee commute data collection and analysis was marginally higher at just over 48 per cent.

Employee commuting emissions accuracy is top focus

Perhaps this explains why nearly half (46 per cent) of the healthcare sector are concentrating hardest this year on finding a system for more accurate reporting of employee commuting emissions – prioritising this work ahead of all other Scope 3 categories in terms of reporting focus in 2023.

Forty one per cent of healthcare organisations were determined to garner more accurate emissions numbers associated with ‘purchased good and services’; while 37 per cent were focused on ‘business travel’ emissions reporting improvements in 2023. Just over a third (35 per cent) of healthcare organisations were heads down on finding more accurate reporting systems for ‘upstream transportation and distribution’.

Nearly half (44 per cent) of healthcare organisations captured in this study were using carbon offsets and credits to help meet their employee commute emissions reduction targets.

Combination of EV charging, data gathering expertise & internal comms key to addressing employee commute emissions reductions

Of the 71 per cent of healthcare firms which claim to have already reduced emissions associated with employee commutes, over half (51 per cent) have already installed Electric Vehicle (EV) battery charging stations in parking areas and 44 per cent have taken on an expert data/service provider ‘to help us gather GHG emissions data from employee commuting and use this data to stimulate staff commuting habit changes’. A third (32 per cent) have embarked on an employee communications programme to alert staff to the environmental impacts of continuing to commute using a diesel or petrol vehicle.



51%

of healthcare firms which claim to have already reduced emissions associated with employee commutes have already installed Electric Vehicle (EV) battery charging stations in parking areas.

44%

have taken on an expert data/service provider ‘to help us gather GHG emissions data from employee commuting and use this data to stimulate staff commuting habit changes’

Third of healthcare firms held back from collecting commute data by GDPR concerns

Complying with GDPR data protection legislation was found to be a major reason a minority of large healthcare organisations had not yet started collecting employee commute data. Specifically, over two thirds (69 per cent) of this laggard group stated they were still reviewing GDPR rules with a view to 'identifying a lawful basis' for processing employee commuting modes of transport and distances covered. Nearly as many, 64 per cent, were 'still reviewing GDPR rules associated with processing this kind of data' more generally.

NHS fleet decarbonisation is key for hitting its interim target

The NHS has publicly declared its plan to reach Net Zero by 2040. It also has declared the interim target of finding an 80 per cent emissions reduction sometime between 2028 and 2032. This study also asked which of the high-profile NHS decarbonising initiatives were most likely to bear fruit in terms of yielding significant reductions in emissions across the NHS.

The practical target action that gained most backing from the largest healthcare businesses across the UK, was the decarbonising of the entire NHS fleet of vehicles by 2028. The NHS Long Term Plan stipulates that 90 per cent of the entire NHS fleet of ambulances and other support vehicles must be low, ultra-low or zero emission by 2028 (as part of the NHS' interim decarbonisation targets).



63%

of healthcare organisations that have already started Scope 3 reporting, registered as a major concern the 'lack of standardisation for weighting and measuring emissions performance' throughout their supplier-bases.

Standards for measuring and benchmarking Scope 3 progress accurately a major concern

However, despite considerable progress, nearly two thirds (63 per cent) of healthcare organisations that have already started Scope 3 reporting, registered as a major concern the 'lack of standardisation for weighting and measuring emissions performance' throughout their supplier-bases. Nearly half (46 per cent) articulated their nervousness in this area by stating that they were over-reliant on 'self-reported environmental performance data' coming from their suppliers'. Furthermore, well over half (57 per cent) of large UK healthcare organisations who are tackling Scope 3 reporting were worried about the richness of the data they were gathering, affirming 'we don't really know the story behind the numbers yet'. More generally, half (51 per cent) of this sector were still questioning the accuracy of existing ESG scoring and ratings systems they and their suppliers were using.

Benchmarking not possible for over a third for Scope 3

A minority of the healthcare sector is still struggling to measure and compare their Upstream and Downstream Scope 3 environmental performance with sector peers in several key categories.

For example, no peer group analysis was yet possible for 31 per cent of the healthcare sector in the Transport & Distribution category, and for 35 per cent of the sector in the Business Travel category. In terms of employee commute data, peer group analysis was not possible for just over a quarter (27 per cent) of UK healthcare organisations questioned. Mobilityways helps firms measure and benchmark their employee commute emissions against sector peers and already works with more than 40 NHS trusts throughout the UK.

Indirect ‘Scope 3’ emissions reductions engagement high

More broadly, the study found deep engagement with indirect Scope 3 emissions reductions across the healthcare sector where 40 per cent of organisations thought that ‘developing low carbon models of care’ was going to be the most effective way of unlocking emissions reductions over the next 10 years. While 39 per cent pinpointed ‘supplier alignment to (their) Net Zero goals’ as the most effective way of delivering targeted Scope 3 emissions reductions.

A third (33 per cent) saw strong value in focusing on more efficient use of supplies (bandages, paper, mobility aids etc.). Many still comment on the unnecessary waste and inefficiencies in their organisations. A quarter (26 per cent) believe that stimulating active travel by staff, visitors and patients alike, is a key route to emissions reductions over the next 10 years.

TCFD and SDGs favoured ESG frameworks

In terms of ESG reporting frameworks, the healthcare sector equally favoured the Taskforce on Climate-related Financial Disclosures (TCFD) and the United Nations 17 Sustainable Development Goals (UN SDGs) before others. Both of these frameworks were found to be ‘the most useful’ by 19 per cent of the 100 large healthcare sector companies who answered all questions for this study.

Summary

Scope 3 emissions reduction looks like the key challenge for this sector to reach and exceed its interim targets and keep up with the race to reach Net Zero by the early 2050s.



It’s clear from our findings that Scope 3 emissions reporting is rapidly becoming a key priority in the healthcare sector. The NHS is showing strong leadership in terms of Net Zero target setting, strategic planning and putting in practical targets for each category. I’m pleased to say that Mobilityways is already working with many NHS trusts to support their efforts to measure their employees’ modes of transport and typical commute mileage.

If you cannot measure emissions, you cannot benchmark them and more importantly you cannot manage them downwards with any certainty. It all starts with gathering the primary data and being sure it’s completely accurate. The NHS and other healthcare sector organisations have long supply chains and large staff numbers so it is arguably the most challenging sector for Scope 3 reporting, but the results can be transformational.

After all, we need to remember that the NHS is one of the world’s largest employers with over 1.34 million workers. Changing the commuting habits and reducing the resulting emissions of just a small percentage of these people makes a huge difference in Net Zero terms.



Mark Hand | Director at Mobilityways



ROAD TO NET ZERO STUDY

Sector Focus: Construction



Construction sector specific findings

The construction sector lags both the financial services and the healthcare sectors in terms of setting 'a target date for achieving carbon neutrality (i.e., have a commitment for reducing carbon dioxide emissions and balancing any remaining carbon emissions through removals)'.

Over half, 57 per cent, of privately held large UK construction firms captured in this study have set a date for carbon neutrality, whereas in both the healthcare and financial services sectors 61 per cent of firms have set a carbon neutrality target date. Two-thirds of construction firms responding had over 1,000 employees.

Less than half (45 per cent) of private construction firms had established 'some or all short and medium term milestones to help achieve Net Zero', whereas 65 per cent of the financial services sector had published their Net Zero roadmaps.

Sector lagging on Scope 1, 2 and 3 data collection & reporting

The sector also lags others in terms of going live with Scope 1, 2 and 3 GHG emissions data collection and reporting. Just half (50 per cent) of large construction firms had started implementing Scope 1 and 2 'direct' emissions reporting; while 62 per cent of healthcare sector respondents had begun 'direct' environmental reporting.

The construction sector is also behind other sectors in terms of the more impactful Scope 3 'indirect' emissions reporting in companies' supply chains. Just over half (54 per cent) of construction firms have begun collecting Scope 3 emissions numbers. This compares poorly with both the financial services and the healthcare sectors where 71 per cent of equivalent-sized firms had started Scope 3 emissions reporting. Yet experts predict that Scope 3 emissions are likely to be responsible for at least 70 per cent of a typical firm's total GHG emissions.

Exploring more deeply the progress of the 54 per cent of large privately held construction firms which have begun Scope 3 emissions data gathering, the Mobilityways study found that here too they were behind on specific emissions category levels. For example, only 41 per cent of these construction companies have 'worked out a way of measuring GHG emissions from employee commutes to their place of work'. Employee commute is one of 15 categories of 'indirect' Scope 3 emissions which need to be collected and reported on. This compares poorly with the financial services sector where 54 per cent of companies have worked out a method of capturing employee commute emissions data. Yet Scope 3 reporting disclosure is already required for construction firms wishing to tender for UK public sector contracts worth over £5m.



45%

of private construction firms had established 'some or all short and medium term milestones to help achieve Net Zero', whereas 65% of the financial services sector had published their Net Zero roadmap targets.



Lack of progress by sustainability decision makers in the construction sector was found to be associated with the fragmented nature of the UK construction market.

Structural issues in UK construction holding up decarbonisation

Lack of progress by sustainability decision-makers in the construction sector on emissions reporting and Net Zero goal setting was found to be associated with the fragmented nature of the UK construction market. The fact that even the largest players are not big enough to force adoption of more sustainable practices, was given as the chief reason for lack of progress towards Net Zero, by nearly half (47 per cent) of the UK-based construction firms.

The second most significant reason for lagging on emissions reduction, as given by 42 per cent of large private builders, was the persistently *'slim margins in UK building which keeps firms' focus firmly on staying profitable at the expense of improving the sustainability of their building'*. New UK building projects currently achieve an average of under two per cent net operating margin.

Only slightly less, 40 per cent of large construction firms, said that lack of common standards for assessing and reporting on both the 'embedded carbon' and 'carbon in use' in buildings, was holding back progress towards Net Zero in the sector. Furthermore, a quarter (26 per cent) commented that the failure of Government to mandate use of low carbon building materials in new buildings was also delaying progress towards Net Zero.

Reforms most likely to accelerate progress towards Net Zero

Government-led reforms can go a long way to stimulate decarbonisation in UK building, the Mobilityways study found. Firstly, pushing through planned legislation mandating a minimum energy efficiency rating to EPC B for all non-domestic buildings (both rented and owned) by 2030 was widely tipped to be a potential game changer. A quarter (25 per cent) of directors responsible for sustainability in large construction firms, put implementing of drafted UK building regulation changes as the primary factor 'most likely to help reduce carbon emissions' in their sector.



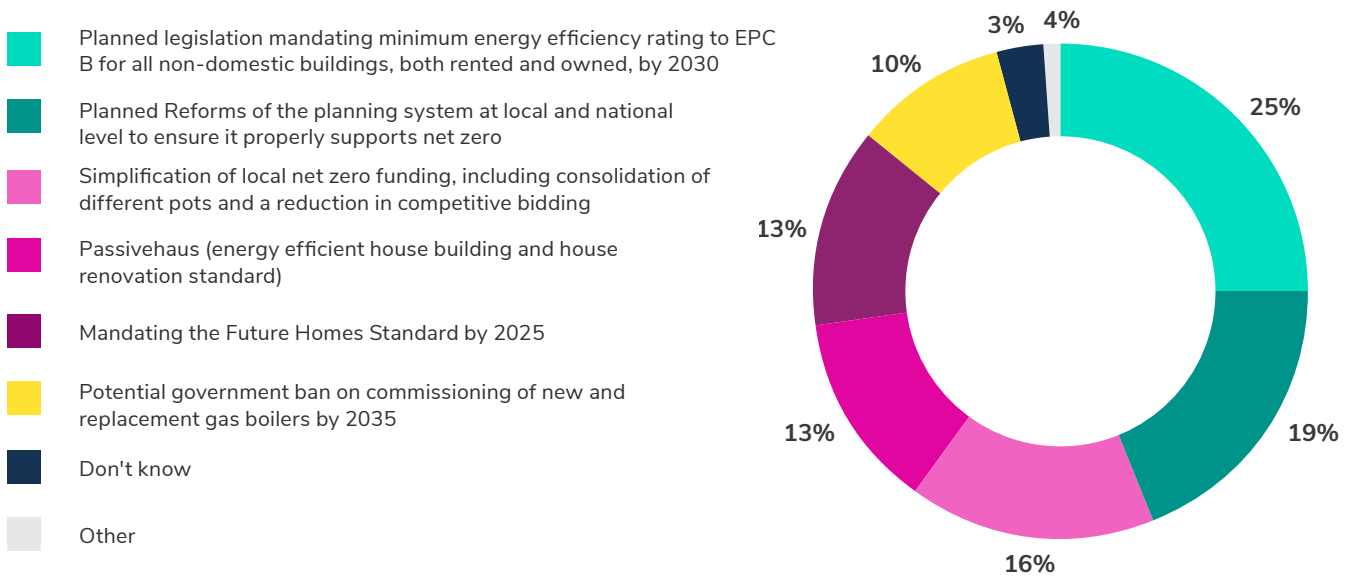
40%

of large construction firms, said that lack of common standards for assessing and reporting on both the 'embedded carbon' and 'carbon in use' in buildings, was holding back progress towards Net Zero in the sector.

25%

of directors responsible for sustainability in large construction firms, put implementing of drafted UK building regulation changes as the primary factor 'most likely to help reduce carbon emissions' in their sector.

Fig 18. Which of the following developments in construction are likely to have the biggest impact in reducing carbon emissions in the UK?



19%

of sustainability decision-makers felt that drafted reforms to UK planning system at local and national level was the single highest impact change which government could make in the short term.

Formal responses by property industry bodies to legislative consultation have proved supportive of the EPC B target by 2030. However, the Better Buildings Partnership, the RICS and the UK Green Building Council have all raised concerns about the practicalities of implementing the EPC C interim milestone during 2027.

Drafted reforms to UK planning system at local and national level (to ensure it properly supports Net Zero) were seen as the second most impactful change: 19 per cent of sustainability decision-makers felt that this was the single highest impact change which government could make in the short term.

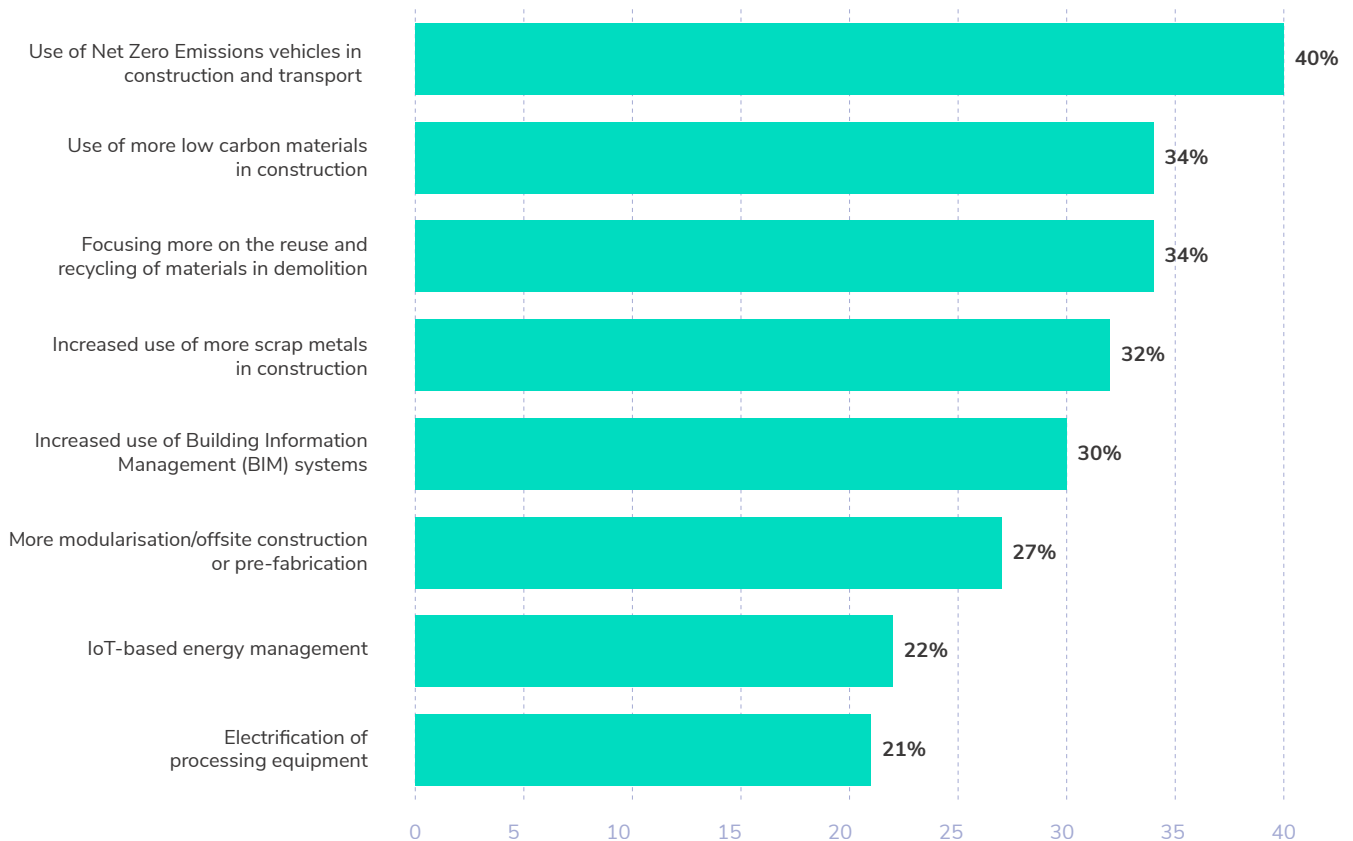
One in six (16 per cent) sustainability decision-makers in construction firms favoured simplification of local Net Zero funding, including consolidation of different pots and a reduction in competitive bidding as the most impactful change that the Government could drive through to assist with progress towards Net Zero in the sector.

Net Zero focus areas over the next 3 years

When asked which areas that their firm is likely to focus on over the next three years to reduce carbon emissions of their construction sites and buildings completed, 40 per cent of directors responsible for sustainability in construction firms anticipated that their business will focus most on 'Use of Net Zero emissions vehicles in construction and transport'. While 34 per cent think the focus will fall most on the 'Use of more low carbon materials in construction'.

A third (32 per cent) favoured 'Increased use of more scrap metals in construction'. While 30 per cent favoured 'Increased use of Building Information Management (BIM) systems'. And just over a quarter (26 per cent) saw increased focus on 'modularisation/offsite construction or pre-fabrication' as the way for them to decarbonise construction over the next three years.

Fig 19. Which areas will your business focus on most over the next 3 years, in order to reduce your carbon emissions of your sites and the buildings you complete? Please select up to three options



The issue for Government is to work out which lever to pull first but clearly there is the need for better planning laws and the mandating of tighter energy efficiencies in buildings, followed by settling on clearer rules and standards for reporting, and incentives to speed up both embedded carbon and operational carbon reduction across the residential and commercial building world.

There seems to be many options for reducing carbon emissions once the sanctions and incentives landscape is set in stone. By contrast, some of the leading listed construction groups are leading the way on Scope 1, 2 and 'operational' Scope 3 reporting. However, their unlisted peers now seem to have fallen a long way behind, especially when it comes to emissions data gathering from their supply chains and employee commute emissions reporting.



Graeme Banister | Sector Director at Mobilityways



ROAD TO NET ZERO STUDY

Final thoughts



Summary

This study contains some interesting findings in terms of emissions reporting levels and ESG frameworks in use to underpin this reporting. However, it is clear that we still have a way to go before all large businesses are able to report on Scope 1, 2 and 3 emission levels with complete confidence of their accuracy.

In fact, only 1.5 per cent of large businesses reached for this study expressed total confidence in the emission numbers they were reporting across the board. In addition, many have decided not to go public on their Net Zero target date.

Access to quality data for each emissions source and ability to compare emissions reductions with peers are both still proving illusory for a significant minority of large firms. A lack of access to primary data is often the key reason why firms are not moving faster to reduce emissions.

The lack of standardisation for weighting and measuring emissions performance, especially with regard to Scope 3 was the most significant concern with the environmental performance reporting systems firms were using, as clear evidence emerged of a spaghetti soup of different ESG reporting frameworks, standards and sector certification systems being applied across many large organisations. 56 per cent of 1000+ employee firms cited this lack of standardisation for Scope 3 reporting as a top concern. While just over half (52 per cent) of the largest firms were having difficulties turning all the emissions data into actionable insights, admitting 'we don't really know the story behind the numbers' yet.



The healthcare sector most to gain in employee commute emissions reduction because of the sheer numbers of people they employ.

The result?

Just under half (49 per cent) of large companies expressed concern about the accuracy of existing environmental performance scoring and ratings systems they used. While 47 per cent recorded gaps in provision of our organisation's and suppliers' environmental performance records.

Delving into specific markets, the construction sector has unique structural issues and lack of confirmation of drafted legal and regulatory frameworks from Government to stimulate greener construction. It is clear that the Government is struggling with the dilemma of needing to stimulate greener construction while not wanting to put the brakes on any potential growth in house building which might support a fragile economy and help the government ease endemic housing shortages.

The NHS and the rest of the healthcare sector has the most to gain in area like employee commute emissions reduction because of the sheer numbers of people they employ. Small changes in the way people do things can make very significant differences to bottom line emission levels which trusts are responsible for.

A reading of this report cannot fail to leave you with the conclusion that there is a great deal more work needed to improve the quantity and quality of data and make emission reports more easily comparable and trackable over time. Mobilityways plans to revisit this study in two years' time to gauge the level of progress and how far any of the problems associated with reducing emissions have begun melting away.

Thank you for reading our inaugural Road to Net Zero Study

If you find any of the findings in this management report interesting and you would like to explore how to address some of the challenges highlighted here, please do get in touch at team@mobilityways.com.



Julie Furnell

Managing Director
Mobilityways

About Mobilityways

Mobilityways is a climate tech firm and social enterprise on a mission to make zero carbon commuting a reality.

We enable employers to meet their Net Zero goals with our suite of climate tech tools. These tools enable companies to measure, reduce and report their commuter emissions, providing full visibility of commuting challenges and identifying sustainable travel alternatives for employees. We have worked with almost 1,000 companies based in the UK.

We were established in 1998 as Liftshare, before rebranding as Mobilityways in 2021. We still operate Liftshare as a free-to-use community car-sharing platform that has helped more than 700,000 like-minded people car share so far.

Mobilityways has worked with almost 1,000 companies based in the UK.





Ground-breaking climate tech, empowering large employers to measure, reduce and report on their commuter emissions.

www.mobilityways.com